

# ANNUAL STATEMENT

## For the Year Ended December 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

# TRAVELERS CASUALTY AND SURETY COMPANY

NAIC Group Code **3548** **3548** NAIC Company Code **19038** Employer's ID Number **06-6033504**  
(Current Period) (Prior Period)

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

INCORPORATED/ORGANIZED, MAY, 1883

COMMENCED BUSINESS, MAY, 1907

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 06183-6014**  
Primary Location of Books and Records: **One Tower Square, Hartford, CT 06183 (860) 277-0111**  
Internet Website Address: **travelers.com**  
Statutory Statement Contact: **Michael J. Doody (860) 277-3966**  
**Annual.Statement.Contact@Travelers.com (860) 277-7002**  
(E-Mail Address) (Fax Number)

### OFFICERS

| Name   | Title | Name   | Title |
|--|-------|--|-------|
| 1. BRIAN WILLIAM MacLEAN.....Chairman of the Board, President & Chief Executive Officer  |       | JOSEPH PATRICK LACHER, JR.....Executive Vice President, Personal Insurance   |       |
| 2. JAY STEVEN BENET.....Vice Chairman & Chief Financial Officer  |       | SAMUEL GERSTEN LISS.....Executive Vice President, Strategic Development and Financial & Professional & International Insurance |       |
| 3. CHARLES JOSEPH CLARKE.....Vice Chairman   |       | # MARIA OLIVO.....Executive Vice President, Market Development & Investor Relations  |       |
| 4. WILLIAM HERBERT HEYMAN.....Vice Chairman & Chief Investment Officer   |       | DOREEN SPADORCIA.....Executive Vice President, Claim   |       |
| 5. # ALAN DAVID SCHNITZER.....Vice Chairman & Chief Legal Officer  |       | KENNETH FRANKLIN SPENCE, III.....Executive Vice President & General Counsel  |       |
| 6. JOHN JOSEPH ALBANO.....Executive Vice President, Business Insurance   |       | BRUCE ALLEN BACKBERG.....Senior Vice President & Corporate Secretary   |       |
| 7. ANDY FRANCIS BESSETTE.....Executive Vice President & Chief Administrative Officer   |       | DOUGLAS KEITH BELL.....Senior Vice President, Accounting Standards   |       |
| 8. # WILLIAM ALLEN BLOOM.....Executive Vice President, Insurance Operations and Information Technology & Chief Information Officer |       | WADE THOMAS OVERGAARD.....Senior Vice President & Chief Corporate Actuary  |       |
| 9. # KATHLEEN LYNCH BOLDDUC.....Executive Vice President, Chief Marketing Officer  |       | DOUGLAS KENNETH RUSSELL..Senior Vice President, Treasurer & Corporate Controller   |       |
| 10. JOHN PATRICK CLIFFORD, JR.....Executive Vice President, Human Resources  |       | SCOTT WILLIAM RYNDA.....Senior Vice President, Tax Administration  |       |
| 11. WILLIAM PATRICK HANNON.....Executive Vice President, Enterprise Risk Management and Business Conduct Officer                   |       |  |       |

### DIRECTORS

JAY STEVEN BENET  
WILLIAM HERBERT HEYMAN  
JOSEPH PATRICK LACHER, JR.  
BRIAN WILLIAM MacLEAN  
DOREEN SPADORCIA

STATE OF CONNECTICUT }  
COUNTY OF HARTFORD } 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.

*Brian W MacLean*

Brian W. MacLean

President

*Bruce A Backberg*

Bruce A. Backberg

Secretary

*Douglas K. Russell*

Douglas K. Russell

Controller

Subscribed and sworn to before me this

29th day of January, 2008

*Sandra M Bachman*  
Notary Public  
My Commission Expires September 30, 2012



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

## ASSETS

|  | Current Year   |                            |  | Prior Year                  |
|--|----------------|----------------------------|--|-----------------------------|
|  | 1<br>Assets    | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets<br>(Cols. 1 - 2) | 4<br>Net<br>Admitted Assets |
| 1. Bonds (Schedule D).....   | 9,491,773,921  | 0                          | 9,491,773,921                                | 9,097,159,717               |
| 2. Stocks (Schedule D):  |                |                            |  |                             |
| 2.1 Preferred stocks.....  | 105,108,850    | 0                          | 105,108,850                                  | 111,596,576                 |
| 2.2 Common stocks.....   | 2,876,822,058  | 12,055,007                 | 2,864,767,050                                | 2,690,686,764               |
| 3. Mortgage loans on real estate (Schedule B):   |                |                            |  |                             |
| 3.1 First liens.....   | 3,820,127      | 0                          | 3,820,127                                    | 8,940,838                   |
| 3.2 Other than first liens.....  | 0              | 0                          | 0  | 0                           |
| 4. Real estate (Schedule A):   |                |                            |  |                             |
| 4.1 Properties occupied by the company (less \$.....0<br>encumbrances).....  | 0              | 0                          | 0  | 0                           |
| 4.2 Properties held for the production of income (less \$.....0<br>encumbrances).....  | 0              | 0                          | 0  | 7,765,849                   |
| 4.3 Properties held for sale (less \$.....0 encumbrances).....   | 0              | 0                          | 0  | 0                           |
| 5. Cash (\$.....(1,475,907), Sch. E-Part 1), cash equivalents (\$.....0,<br>Sch. E-Part 2) and short-term investments (\$.....558,504,839, Sch. DA).....         | 557,028,931    | 0                          | 557,028,931                                  | 436,853,957                 |
| 6. Contract loans (including \$.....0 premium notes).....  | 0              | 0                          | 0  | 0                           |
| 7. Other invested assets (Schedule BA).....  | 724,626,063    | 0                          | 724,626,063                                  | 510,901,991                 |
| 8. Receivables for securities.....   | 0              | 0                          | 0  | 468,012                     |
| 9. Aggregate write-ins for invested assets.....  | 0              | 0                          | 0  | 0                           |
| 10. Subtotals, cash and invested assets (Lines 1 to 9).....  | 13,759,179,951 | 12,055,007                 | 13,747,124,944                               | 12,864,373,705              |
| 11. Title plants less \$.....0 charged off (for Title insurers only).....  | 0              | 0                          | 0  | 0                           |
| 12. Investment income due and accrued.....   | 121,146,123    | 0                          | 121,146,123                                  | 116,268,014                 |
| 13. Premiums and considerations:   |                |                            |  |                             |
| 13.1 Uncollected premiums and agents' balances in course of collection.....  | 237,134,762    | 28,013,000                 | 209,121,762                                  | 207,125,818                 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred<br>and not yet due (including \$.....18,140,568 earned but unbilled premiums)..... | 815,953,046    | 10,231,032                 | 805,722,014                                  | 800,844,474                 |
| 13.3 Accrued retrospective premiums.....   | 47,041,369     | 797,595                    | 46,243,774                                   | 26,827,363                  |
| 14. Reinsurance:   |                |                            |  |                             |
| 14.1 Amounts recoverable from reinsurers.....  | 0              | 0                          | 0  | 0                           |
| 14.2 Funds held by or deposited with reinsured companies.....  | 5,682,845      | 0                          | 5,682,845                                    | 6,101,455                   |
| 14.3 Other amounts receivable under reinsurance contracts.....   | 0              | 0                          | 0  | 0                           |
| 15. Amounts receivable relating to uninsured plans.....  | 0              | 0                          | 0  | 0                           |
| 16.1 Current federal and foreign income tax recoverable and interest thereon.....  | 0              | 0                          | 0  | 0                           |
| 16.2 Net deferred tax asset.....   | 542,494,392    | 285,423,790                | 257,070,602                                  | 234,396,203                 |
| 17. Guaranty funds receivable or on deposit.....   | 1,648,372      | 0                          | 1,648,372                                    | 1,858,843                   |
| 18. Electronic data processing equipment and software.....   | 0              | 0                          | 0  | 0                           |
| 19. Furniture and equipment, including health care delivery assets (\$.....0).....   | 0              | 0                          | 0  | 0                           |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates.....  | 0              | 0                          | 0  | 0                           |
| 21. Receivables from parent, subsidiaries and affiliates.....  | 73,045,374     | 0                          | 73,045,374                                   | 13,626,139                  |
| 22. Health care (\$.....0) and other amounts receivable.....   | 0              | 0                          | 0  | 0                           |
| 23. Aggregate write-ins for other than invested assets.....  | 364,912,336    | 254,741,549                | 110,170,787                                  | 86,914,757                  |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts (Lines 10 to 23).....   | 15,968,238,569 | 591,261,973                | 15,376,976,596                               | 14,358,336,770              |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....   | 0              | 0                          | 0  | 0                           |
| 26. TOTALS (Lines 24 and 25).....  | 15,968,238,569 | 591,261,973                | 15,376,976,596                               | 14,358,336,770              |

### DETAILS OF WRITE-INS

|  |             |             |             |            |
|--|-------------|-------------|-------------|------------|
| 0901.....  | 0           | 0           | 0           | 0          |
| 0902.....  | 0           | 0           | 0           | 0          |
| 0903.....  | 0           | 0           | 0           | 0          |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | 0           | 0           | 0           | 0          |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....        | 0           | 0           | 0           | 0          |
| 2301. Suspense, undistributed payments.....                              | 80,406,439  | 0           | 80,406,439  | 50,537,291 |
| 2302. Equities and deposits in pools and associations.....               | 26,030,089  | 0           | 26,030,089  | 25,016,166 |
| 2303. State surcharges receivable.....                                   | 4,407,726   | 0           | 4,407,726   | 4,240,307  |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 254,068,082 | 254,741,549 | (673,466)   | 7,120,993  |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....       | 364,912,336 | 254,741,549 | 110,170,787 | 86,914,757 |

## TRAVELERS CASUALTY AND SURETY COMPANY

### LIABILITIES, SURPLUS AND OTHER FUNDS

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| 1. Losses (Part 2A, Line 34, Column 8).....  | 6,328,790,254     | 6,263,010,745   |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....   | 1,201,876         | 673,942         |
| 3. Loss adjustment expenses (Part 2A, Line 34, Column 9).....  | 1,380,789,686     | 1,392,834,379   |
| 4. Commissions payable, contingent commissions and other similar charges.....  | 124,541,495       | 121,162,301     |
| 5. Other expenses (excluding taxes, licenses and fees).....  | 107,202,171       | 99,622,400      |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes).....  | 90,777,970        | 89,843,938      |
| 7.1 Current federal and foreign income taxes (including \$.....915,614 on realized capital gains (losses)).....  | 8,066,432         | 3,197,172       |
| 7.2 Net deferred tax liability.....  | 0                 | 0               |
| 8. Borrowed money \$.....377,218 and interest thereon \$.....32,972.....   | 410,190           | 429,970         |
| 9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....219,820,529 and including warranty reserves of \$.....0)..... | 1,638,997,664     | 1,609,304,822   |
| 10. Advance premiums.....  | 0                 | 0               |
| 11. Dividends declared and unpaid:   |                   |                 |
| 11.1 Stockholders.....   | 0                 | 0               |
| 11.2 Policyholders.....  | 6,242,747         | 4,546,467       |
| 12. Ceded reinsurance premiums payable (net of ceding commissions).....  | 106,992,760       | 72,804,104      |
| 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.....   | 35,934,114        | 29,495,156      |
| 15. Remittances and items not allocated.....   | 5,223,912         | (3,056,635)     |
| 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.....  | 0                 | 0               |
| 20. Payable for securities.....  | 33,559,092        | 33,156,080      |
| 21. Liability for amounts held under uninsured plans.....  | 0                 | 0               |
| 22. Capital notes \$.....0 and interest thereon \$.....0.....  | 0                 | 0               |
| 23. Aggregate write-ins for liabilities.....   | 99,661,970        | 183,217,906     |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....   | 9,968,392,334     | 9,900,242,744   |
| 25. Protected cell liabilities.....  | 0                 | 0               |
| 26. Total liabilities (Lines 24 and 25).....   | 9,968,392,334     | 9,900,242,744   |
| 27. Aggregate write-ins for special surplus funds.....   | 23,568,185        | 20,560,739      |
| 28. Common capital stock.....  | 25,000,000        | 25,000,000      |
| 29. Preferred capital stock.....   | 0                 | 0               |
| 30. Aggregate write-ins for other than special surplus funds.....  | 0                 | 0               |
| 31. Surplus notes.....   | 0                 | 0               |
| 32. Gross paid in and contributed surplus.....   | 2,041,092,700     | 2,041,092,700   |
| 33. Unassigned funds (surplus).....  | 3,318,923,378     | 2,371,440,586   |
| 34. Less treasury stock, at cost:  |                   |                 |
| 34.1 .....0.000 shares common (value included in Line 28 \$.....0).....  | 0                 | 0               |
| 34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....   | 0                 | 0               |
| 35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39).....  | 5,408,584,262     | 4,458,094,025   |
| 36. TOTALS (Page 2, Line 26, Col. 3).....  | 15,376,976,596    | 14,358,336,770  |

#### DETAILS OF WRITE-INS

|  |              |              |
|--|--------------|--------------|
| 2301. Interest deposit liability.....                                    | 155,888,689  | 253,844,699  |
| 2302. Retroactive reinsurance reserve assumed.....                       | 5,086,565    | 543,979      |
| 2303. Amounts payable from escrow.....                                   | 1,090,092    | 0            |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | (62,403,376) | (71,170,772) |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....       | 99,661,970   | 183,217,906  |
| 2701. Special surplus from retroactive reinsurance.....                  | 23,568,185   | 20,560,739   |
| 2702. ....   | 0            | 0            |
| 2703. ....   | 0            | 0            |
| 2798. Summary of remaining write-ins for Line 27 from overflow page..... | 0            | 0            |
| 2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....       | 23,568,185   | 20,560,739   |
| 3001. ....   | 0            | 0            |
| 3002. ....   | 0            | 0            |
| 3003. ....   | 0            | 0            |
| 3098. Summary of remaining write-ins for Line 30 from overflow page..... | 0            | 0            |
| 3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....       | 0            | 0            |

# TRAVELERS CASUALTY AND SURETY COMPANY

## STATEMENT OF INCOME

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>UNDERWRITING INCOME</b>   |                   |                 |
| 1. Premiums earned (Part 1, Line 34, Column 4).....  | 3,640,310,526     | 3,476,689,412   |
| DEDUCTIONS   |                   |                 |
| 2. Losses incurred (Part 2, Line 34, Column 7).....  | 1,705,769,153     | 1,603,398,581   |
| 3. Loss expenses incurred (Part 3, Line 25, Column 1).....   | 440,071,546       | 425,249,375     |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....   | 1,140,563,258     | 1,045,264,838   |
| 5. Aggregate write-ins for underwriting deductions.....  | 0                 | 0               |
| 6. Total underwriting deductions (Lines 2 through 5).....  | 3,286,403,957     | 3,073,912,794   |
| 7. Net income of protected cells.....  | 0                 | 0               |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....   | 353,906,569       | 402,776,618     |
| <b>INVESTMENT INCOME</b>   |                   |                 |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....   | 968,374,005       | 607,510,211     |
| 10. Net realized capital gains (losses) less capital gains tax of \$.....12,437,707 (Exhibit of Capital Gains (Losses)).....                                 | (25,629,896)      | (123,400,333)   |
| 11. Net investment gain (loss) (Lines 9 + 10).....   | 942,744,108       | 484,109,879     |
| <b>OTHER INCOME</b>  |                   |                 |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....(7,336,982) amount charged off \$.....302,347).....                | (7,639,329)       | (6,117,638)     |
| 13. Finance and service charges not included in premiums.....  | 18,247,678        | 18,100,913      |
| 14. Aggregate write-ins for miscellaneous income.....  | (25,465,594)      | (36,159,612)    |
| 15. Total other income (Lines 12 through 14).....  | (14,857,245)      | (24,176,337)    |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....     | 1,281,793,432     | 862,710,159     |
| 17. Dividends to policyholders.....  | 4,736,960         | 3,214,144       |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)..... | 1,277,056,473     | 859,496,015     |
| 19. Federal and foreign income taxes incurred.....   | 136,414,584       | 192,392,176     |
| 20. Net income (Line 18 minus Line 19) (to Line 22).....   | 1,140,641,889     | 667,103,839     |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>   |                   |                 |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....  | 4,458,094,025     | 3,706,597,948   |
| 22. Net income (from Line 20).....   | 1,140,641,889     | 667,103,839     |
| 23. Net transfers (to) from Protected Cell accounts.....   | 0                 | 0               |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....7,302,652.....   | 292,737,658       | 552,093,542     |
| 25. Change in net unrealized foreign exchange capital gain (loss).....   | 298,580           | 6,423,538       |
| 26. Change in net deferred income tax.....   | (110,220,516)     | (64,740,908)    |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26 Column 3).....  | 199,031,710       | 90,616,066      |
| 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                 | 0               |
| 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.....   | (597,000,000)     | (500,000,000)   |
| 36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1).....   | 0                 | 0               |
| 37. Aggregate write-ins for gains and losses in surplus.....   | 25,000,915        | 0               |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....   | 950,490,237       | 751,496,077     |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35).....   | 5,408,584,262     | 4,458,094,025   |
| <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. Retroactive reinsurance gain/loss.....   | 6,040,333         | 2,806,069       |
| 1402. Fines and penalties of regulatory authorities.....   | (29,959)          | (15,187,553)    |
| 1403. Profit and loss, miscellaneous.....  | (31,475,969)      | (23,778,128)    |
| 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).....   | (25,465,594)      | (36,159,612)    |
| 3701. Prior period adjustment.....   | 25,000,915        | 0               |
| 3702. ....   | 0                 | 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).....   | 25,000,915        | 0               |

## TRAVELERS CASUALTY AND SURETY COMPANY

### CASH FLOW

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| <b>CASH FROM OPERATIONS</b>   |                   |                 |
| 1. Premiums collected net of reinsurance.....   | 3,670,427,450     | 3,507,007,196   |
| 2. Net investment income.....   | 1,002,950,511     | 632,969,769     |
| 3. Miscellaneous income.....  | (14,857,245)      | (24,176,337)    |
| 4. Total (Lines 1 through 3).....   | 4,658,520,716     | 4,115,800,628   |
| 5. Benefit and loss related payments.....   | 1,639,043,100     | 1,817,459,340   |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                     | 0                 | 0               |
| 7. Commissions, expenses paid and aggregate write-ins for deductions.....                                       | 1,583,528,355     | 1,467,295,577   |
| 8. Dividends paid to policyholders.....   | 3,040,679         | 3,961,567       |
| 9. Federal and foreign income taxes paid (recovered) net of \$.....9,972,465 tax on capital gains (losses)..... | 143,981,461       | 102,353,906     |
| 10. Total (Lines 5 through 9).....  | 3,369,593,595     | 3,391,070,390   |
| 11. Net cash from operations (Line 4 minus Line 10).....  | 1,288,927,121     | 724,730,238     |
| <b>CASH FROM INVESTMENTS</b>  |                   |                 |
| 12. Proceeds from investments sold, matured or repaid:  |                   |                 |
| 12.1 Bonds.....   | 1,778,869,126     | 1,060,727,359   |
| 12.2 Stocks.....  | 37,352,352        | 121,626,586     |
| 12.3 Mortgage loans.....  | 5,120,711         | 3,108,658       |
| 12.4 Real estate.....   | 9,133,727         | 0               |
| 12.5 Other invested assets.....   | 56,908,934        | 46,172,719      |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....                            | 0                 | (16,714)        |
| 12.7 Miscellaneous proceeds.....  | 871,023           | 430,506,988     |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7).....  | 1,888,255,873     | 1,662,125,596   |
| 13. Cost of investments acquired (long-term only):  |                   |                 |
| 13.1 Bonds.....   | 2,218,525,551     | 1,319,333,323   |
| 13.2 Stocks.....  | 8,002,410         | 23,802,170      |
| 13.3 Mortgage loans.....  | 0                 | 0               |
| 13.4 Real estate.....   | 244,754           | 914,931         |
| 13.5 Other invested assets.....   | 162,973,149       | 328,965,240     |
| 13.6 Miscellaneous applications.....  | 0                 | 12,809,076      |
| 13.7 Total investments acquired (Lines 13.1 to 13.6).....   | 2,389,745,864     | 1,685,824,739   |
| 14. Net increase (decrease) in contract loans and premium notes.....  | 0                 | 0               |
| 15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14).....  | (501,489,991)     | (23,699,143)    |
| <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                 | 0               |
| 16.3 Borrowed funds.....  | (22,838)          | (3,919)         |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities.....                                | 0                 | 0               |
| 16.5 Dividends to stockholders.....   | 597,000,000       | 500,000,000     |
| 16.6 Other cash provided (applied).....   | (70,239,319)      | 1,073,540       |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....  | (667,262,156)     | (498,930,379)   |
| <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).....    | 120,174,974       | 202,100,716     |
| 19. Cash, cash equivalents and short-term investments:  |                   |                 |
| 19.1 Beginning of year.....   | 436,853,957       | 234,753,241     |
| 19.2 End of year (Line 18 plus Line 19.1).....  | 557,028,931       | 436,853,957     |
| <b>Note: Supplemental disclosures of cash flow information for non-cash transactions:</b>                       |                   |                 |
| 20.0001 Security moved from Bond to Stock on Schedule D.....  | 0                 | 50,279,305      |
| 20.0002 Security moved from Bond to Stock on Schedule D.....  | 0                 | 12,364,252      |
| 20.0003 Intercompany transactions.....  | 7,000,000         | 0               |

# TRAVELERS CASUALTY AND SURETY COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1 - PREMIUMS EARNED

| Line of Business   | 1<br>Net<br>Premiums<br>Written per<br>Column 6, Part 1B | 2<br>Unearned Premiums<br>December 31<br>Prior Year-<br>per Col. 3,<br>Last Year's Part 1 | 3<br>Unearned Premiums<br>December 31<br>Current Year-<br>per Col. 5,<br>Part 1A | 4<br>Premiums<br>Earned<br>During Year<br>(Cols. 1 + 2 - 3) |
|--|--|---|--|---|
| 1. Fire.....   | 110,258,224  | 51,473,709  | 49,579,442   | 112,152,491   |
| 2. Allied lines.....   | 95,900,547   | 42,229,114  | 42,689,570   | 95,440,091  |
| 3. Farmowners multiple peril.....                              | 23,590,766   | 10,410,449  | 11,550,759   | 22,450,457  |
| 4. Homeowners multiple peril.....                              | 515,558,847  | 271,813,840   | 279,519,245  | 507,853,442   |
| 5. Commercial multiple peril.....                              | 588,387,752  | 293,416,589   | 277,047,381  | 604,756,960   |
| 6. Mortgage guaranty.....                                      | .0   | .0  | .0   | .0  |
| 8. Ocean marine.....   | 55,858,448   | 22,830,687  | 21,474,237   | 57,214,898  |
| 9. Inland marine.....  | 176,136,940  | 67,876,054  | 71,430,807   | 172,582,187   |
| 10. Financial guaranty.....                                    | .0   | .0  | .0   | .0  |
| 11.1 Medical malpractice - occurrence.....                     | (8,064)  | 6,940   | 4,143  | (5,267)   |
| 11.2 Medical malpractice - claims-made.....                    | (12,265)   | 303,862   | 214,901  | 76,696  |
| 12. Earthquake.....  | 15,655,619   | 7,212,032   | 7,513,584  | 15,354,068  |
| 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.....                                 | 470,890,614  | 162,903,244   | 176,162,065  | 457,631,793   |
| 17.1 Other liability - occurrence.....                         | 373,811,418  | 141,764,982   | 150,857,704  | 364,718,696   |
| 17.2 Other liability - claims-made.....                        | 129,554,394  | 84,328,350  | 76,922,903   | 136,959,841   |
| 18.1 Products liability - occurrence.....                      | 26,904,238   | 9,508,683   | 10,234,053   | 26,178,868  |
| 18.2 Products liability - claims-made.....                     | 3,335,133  | 1,419,638   | 1,596,614  | 3,158,157   |
| 19.1, 19.2 Private passenger auto liability.....               | 353,536,328  | 131,461,501   | 124,887,119  | 360,110,710   |
| 19.3, 19.4 Commercial auto liability.....                      | 349,374,224  | 118,482,592   | 143,567,378  | 324,289,438   |
| 21. Auto physical damage.....                                  | 321,813,374  | 112,029,556   | 118,108,959  | 315,733,972   |
| 22. Aircraft (all perils).....                                 | (634,633)  | 116,334   | (611,878)  | 93,580  |
| 23. Fidelity.....  | 14,269,540   | 11,069,762  | 10,867,260   | 14,472,042  |
| 24. Surety.....  | (5,620,458)  | 4,510,816   | 34,432   | (1,144,075)   |
| 26. Burglary and theft.....                                    | 908,985  | 1,033,056   | 752,249  | 1,189,792   |
| 27. Boiler and machinery.....                                  | 35,466,925   | 16,641,264  | 16,003,936   | 36,104,253  |
| 28. Credit.....  | 20,457   | 41,501  | 17,916   | 44,042  |
| 29. International.....   | 1,813,710  | 171,314   | 1,392,447  | 592,577   |
| 30. Reinsurance - nonproportional assumed property.....        | 3,556,817  | (158,658)   | (112,438)  | 3,510,597   |
| 31. Reinsurance - nonproportional assumed liability.....       | 7,724,427  | 3,408,521   | 2,996,885  | 8,136,063   |
| 32. Reinsurance - nonproportional assumed financial lines..... | 856,329  | 94,963  | 298,194  | 653,098   |
| 33. Aggregate write-ins for other lines of business.....       | 4,240  | .0  | 3,180  | 1,060   |
| 34. TOTALS.....  | 3,668,912,875  | 1,566,400,696   | 1,595,003,045  | 3,640,310,526   |

### DETAILS OF WRITE-INS

|  |       |    |       |       |
|--|-------|----|-------|-------|
| 3301. Auto Warranty.....   | .0    | .0 | .0    | .0    |
| 3302. Tribal Workers Compensation.....                                   | 4,240 | .0 | 3,180 | 1,060 |
| 3303. ....   | .0    | .0 | .0    | .0    |
| 3398. Summary of remaining write-ins for Line 33 from overflow page..... | .0    | .0 | .0    | .0    |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....       | 4,240 | .0 | 3,180 | 1,060 |

# TRAVELERS CASUALTY AND SURETY COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1A - RECAPITULATION OF ALL PREMIUMS

|  | 1   | 2   | 3                              | 4  | 5  |
|--|---|---|--------------------------------|--|--|
| Line of Business   | Amount Unearned<br>(Running One Year<br>or Less from Date<br>of Policy) (a) | Amount Unearned<br>(Running more than<br>One Year from<br>Date of Policy) (a) | Earned But<br>Unbilled Premium | Reserve for<br>Rate Credits<br>and Retrospective<br>Adjustments Based<br>on Experience | Total Reserve<br>for Unearned<br>Premiums<br>Cols. 1 + 2 + 3 + 4 |
| 1. Fire.....   | 33,474,703  | 16,283,084  | (178,345)                      | .0   | 49,579,442   |
| 2. Allied lines.....   | 33,367,720  | 9,322,220   | (370)                          | .0   | 42,689,570   |
| 3. Farmowners multiple peril.....                              | 11,629,516  | (78,752)  | (6)                            | .0   | 11,550,759   |
| 4. Homeowners multiple peril.....                              | 280,193,576   | (674,331)   | .0                             | .0   | 279,519,245  |
| 5. Commercial multiple peril.....                              | 276,870,017   | 2,239,228   | (2,053,280)                    | (8,584)  | 277,047,381  |
| 6. Mortgage guaranty.....                                      | .0  | .0  | .0                             | .0   | .0   |
| 8. Ocean marine.....   | 8,618,434   | 14,600,044  | (1,744,241)                    | .0   | 21,474,237   |
| 9. Inland marine.....  | 45,592,900  | 27,731,283  | (1,893,376)                    | .0   | 71,430,807   |
| 10. Financial guaranty.....                                    | .0  | .0  | .0                             | .0   | .0   |
| 11.1 Medical malpractice - occurrence.....                     | 4,143   | .0  | .0                             | .0   | 4,143  |
| 11.2 Medical malpractice - claims-made.....                    | 598   | .0  | (5)                            | 214,308  | 214,901  |
| 12. Earthquake.....  | 6,909,273   | 604,311   | .0                             | .0   | 7,513,584  |
| 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.....                                 | 203,266,762   | (64,687)  | (4,387,438)                    | (22,652,573)   | 176,162,065  |
| 17.1 Other liability - occurrence.....                         | 96,647,221  | 60,860,359  | (3,834,843)                    | (2,815,033)  | 150,857,704  |
| 17.2 Other liability - claims-made.....                        | (8,649,825)   | 85,952,691  | (379,963)                      | .0   | 76,922,903   |
| 18.1 Products liability - occurrence.....                      | 4,003,527   | 6,729,671   | (312,037)                      | (187,108)  | 10,234,053   |
| 18.2 Products liability - claims-made.....                     | 3,864   | 1,593,159   | (408)                          | .0   | 1,596,614  |
| 19.1, 19.2 Private passenger auto liability.....               | 124,882,601   | 4,518   | .0                             | (0)  | 124,887,119  |
| 19.3, 19.4 Commercial auto liability.....                      | 101,136,746   | 43,450,516  | (584,488)                      | (435,396)  | 143,567,378  |
| 21. Auto physical damage.....                                  | 102,086,835   | 16,031,543  | (39,756)                       | 30,336   | 118,108,959  |
| 22. Aircraft (all perils).....                                 | (750,673)   | 138,795   | .0                             | .0   | (611,878)  |
| 23. Fidelity.....  | (142,383)   | 11,009,642  | .0                             | .0   | 10,867,260   |
| 24. Surety.....  | (2,404)   | 2,768,849   | (2,732,013)                    | .0   | 34,432   |
| 26. Burglary and theft.....                                    | 77,378  | 674,871   | .0                             | .0   | 752,249  |
| 27. Boiler and machinery.....                                  | 14,459,784  | 1,544,152   | .0                             | .0   | 16,003,936   |
| 28. Credit.....  | 17,916  | .0  | .0                             | .0   | 17,916   |
| 29. International.....   | 1,392,447   | .0  | .0                             | .0   | 1,392,447  |
| 30. Reinsurance - nonproportional assumed property.....        | (112,781)   | 343   | .0                             | .0   | (112,438)  |
| 31. Reinsurance - nonproportional assumed liability.....       | 395,094   | 2,601,792   | .0                             | .0   | 2,996,885  |
| 32. Reinsurance - nonproportional assumed financial lines..... | (10,139)  | 308,333   | .0                             | .0   | 298,194  |
| 33. Aggregate write-ins for other lines of business.....       | .0  | 3,180   | .0                             | .0   | 3,180  |
| 34. TOTALS.....  | 1,335,362,851   | 303,634,814   | (18,140,568)                   | (25,854,050)   | 1,595,003,045  |
| 35. Accrued retrospective premiums based on experience.....    |   |   |                                |  | 25,854,050   |
| 36. Earned but unbilled premiums.....                          |   |   |                                |  | 18,140,568   |
| 37. Balance (sum of Lines 34 through 36).....                  |   |   |                                |  | 1,638,997,664  |

### DETAILS OF WRITE-INS

|  |    |       |    |    |       |
|--|----|-------|----|----|-------|
| 3301. Tribal Workers Compensation .....                                | .0 | 3,180 | .0 | .0 | 3,180 |
| 3302. ....   | .0 | .0    | .0 | .0 | .0    |
| 3303. ....   | .0 | .0    | .0 | .0 | .0    |
| 3398. Summary of remaining write-ins for Line 33 from overflow page... | .0 | .0    | .0 | .0 | .0    |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....     | .0 | 3,180 | .0 | .0 | 3,180 |

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

# TRAVELERS CASUALTY AND SURETY COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1B - PREMIUMS WRITTEN

| Line of Business   | 1                         | Reinsurance Assumed  |                          | Reinsurance Ceded  |                        | 6<br>Net Premiums<br>Written<br>(Cols. 1 + 2 + 3<br>- 4 - 5) |
|--|---------------------------|----------------------|--------------------------|--------------------|------------------------|--|
|  | Direct<br>Business<br>(a) | 2<br>From Affiliates | 3<br>From Non-Affiliates | 4<br>To Affiliates | 5<br>To Non-Affiliates |  |
| 1. Fire.....   | 4,874,291                 | 110,258,224          | 2,752,697                | 7,626,988          | 0                      | 110,258,224  |
| 2. Allied lines.....   | 2,218,016                 | 95,900,547           | 10,981,401               | 13,199,417         | 0                      | 95,900,547   |
| 3. Farmowners multiple peril.....                              | 0                         | 23,590,766           | 0                        | 0                  | 0                      | 23,590,766   |
| 4. Homeowners multiple peril.....                              | 63,615,244                | 515,558,847          | 3,586,456                | 67,201,700         | 0                      | 515,558,847  |
| 5. Commercial multiple peril.....                              | 166,822                   | 588,387,752          | 0                        | 166,822            | 0                      | 588,387,752  |
| 6. Mortgage guaranty.....                                      | 0                         | 0                    | 0                        | 0                  | 0                      | 0  |
| 8. Ocean marine.....   | 3,223                     | 55,858,448           | 0                        | 3,223              | 0                      | 55,858,448   |
| 9. Inland marine.....  | 548,419                   | 176,136,940          | 0                        | 548,419            | 0                      | 176,136,940  |
| 10. Financial guaranty.....                                    | 623,545                   | 0                    | 657,756                  | 1,281,301          | 0                      | 0  |
| 11.1 Medical malpractice - occurrence.....                     | 0                         | (8,064)              | 0                        | 0                  | 0                      | (8,064)  |
| 11.2 Medical malpractice - claims-made.....                    | 0                         | (12,265)             | 0                        | 0                  | 0                      | (12,265)   |
| 12. Earthquake.....  | 41,697                    | 15,655,619           | 0                        | 41,697             | 0                      | 15,655,619   |
| 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.....                                 | 273,459,431               | 470,890,614          | (3,776)                  | 273,455,654        | 0                      | 470,890,614  |
| 17.1 Other liability - occurrence.....                         | 1,786,171                 | 373,811,418          | 55,737                   | 1,841,908          | 0                      | 373,811,418  |
| 17.2 Other liability - claims-made.....                        | 6,999,674                 | 129,554,394          | 0                        | 6,999,674          | 0                      | 129,554,394  |
| 18.1 Products liability - occurrence.....                      | 0                         | 26,904,238           | 0                        | 0                  | 0                      | 26,904,238   |
| 18.2 Products liability - claims-made.....                     | 0                         | 3,335,133            | 0                        | 0                  | 0                      | 3,335,133  |
| 19.1, 19.2 Private passenger auto liability.....               | 0                         | 353,536,328          | 0                        | 0                  | 0                      | 353,536,328  |
| 19.3, 19.4 Commercial auto liability.....                      | 101,292                   | 349,374,224          | 0                        | 101,292            | 0                      | 349,374,224  |
| 21. Auto physical damage.....                                  | 0                         | 321,813,374          | 0                        | 0                  | 0                      | 321,813,374  |
| 22. Aircraft (all perils).....                                 | 0                         | (634,633)            | 1,612                    | 1,612              | 0                      | (634,633)  |
| 23. Fidelity.....  | 487,195                   | 14,269,540           | 0                        | 487,195            | 0                      | 14,269,540   |
| 24. Surety.....  | 62,582,301                | (6,420,457)          | 886,693                  | 62,668,995         | 0                      | (5,620,458)  |
| 26. Burglary and theft.....                                    | 67,061                    | 908,985              | 27,476                   | 94,537             | 0                      | 908,985  |
| 27. Boiler and machinery.....                                  | 0                         | 35,466,925           | 0                        | 0                  | 0                      | 35,466,925   |
| 28. Credit.....  | 0                         | 20,457               | 0                        | 0                  | 0                      | 20,457   |
| 29. International.....   | 0                         | 1,813,710            | 0                        | 0                  | 0                      | 1,813,710  |
| 30. Reinsurance - nonproportional assumed property.....        | XXX                       | 3,556,817            | (650)                    | (650)              | 0                      | 3,556,817  |
| 31. Reinsurance - nonproportional assumed liability.....       | XXX                       | 7,724,427            | 10,012                   | 10,012             | 0                      | 7,724,427  |
| 32. Reinsurance - nonproportional assumed financial lines..... | XXX                       | 856,329              | 0                        | 0                  | 0                      | 856,329  |
| 33. Aggregate write-ins for other lines of business.....       | 0                         | 4,240                | 0                        | 0                  | 0                      | 4,240  |
| 34. TOTALS.....  | 417,574,382               | 3,668,112,876        | 18,955,413               | 435,729,796        | 0                      | 3,668,912,875  |

### DETAILS OF WRITE-INS

|  |   |       |   |   |   |       |
|--|---|-------|---|---|---|-------|
| 3301. Tribal Workers Compensation.....                                   | 0 | 4,240 | 0 | 0 | 0 | 4,240 |
| 3302. ....   | 0 | 0     | 0 | 0 | 0 | 0     |
| 3303. ....   | 0 | 0     | 0 | 0 | 0 | 0     |
| 3398. Summary of remaining write-ins for Line 33 from overflow page..... | 0 | 0     | 0 | 0 | 0 | 0     |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....       | 0 | 4,240 | 0 | 0 | 0 | 4,240 |

(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<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A, Col. 8) | 6<br>Net Losses<br>Unpaid<br>Prior Year | 7<br>Losses<br>Incurred<br>Current Year<br>(Cols. 4 + 5 - 6) | 8<br>Percentage of<br>Losses Incurred<br>(Col. 7, Part 2)<br>to Premiums Earned<br>(Col. 4, Part 1) |
|--|--------------------------|-----------------------------|-------------------------------|--|--|---|--|---|
|  | 1<br>Direct<br>Business  | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |  |   |  |   |
| 1. Fire.....   | (2,660,866)              | 58,073,558                  | (1,085,055)                   | 56,497,747                             | 62,464,762   | 59,208,460                              | 59,754,049   | 53.3  |
| 2. Allied lines.....   | 365,093                  | 40,114,739                  | 1,424,068                     | 39,055,764                             | 50,415,493   | 56,891,960                              | 32,579,298   | 34.1  |
| 3. Farmowners multiple peril.....                              | 0                        | 9,002,069                   | 0                             | 9,002,069                              | 6,101,023  | 5,807,859                               | 9,295,233  | 41.4  |
| 4. Homeowners multiple peril.....                              | 20,626,969               | 191,387,019                 | 21,689,565                    | 190,324,423                            | 135,356,434  | 121,382,078                             | 204,298,779  | 40.2  |
| 5. Commercial multiple peril.....                              | 2,412,662                | 234,245,685                 | 2,412,662                     | 234,245,685                            | 574,393,503  | 626,122,036                             | 182,517,152  | 30.2  |
| 6. Mortgage guaranty.....                                      | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 8. Ocean marine.....   | (1,816)                  | 24,621,793                  | (1,816)                       | 24,621,793                             | 37,659,390   | 30,987,707                              | 31,293,476   | 54.7  |
| 9. Inland marine.....  | 342,503                  | 45,459,800                  | 342,503                       | 45,459,800                             | 52,433,068   | 64,523,678                              | 33,369,189   | 19.3  |
| 10. Financial guaranty.....                                    | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 11.1 Medical malpractice - occurrence.....                     | 25,000                   | 11,829,446                  | 25,000                        | 11,829,446                             | 28,268,667   | 40,315,798                              | (217,686)  | 4,133.0   |
| 11.2 Medical malpractice - claims-made.....                    | 0                        | 25,270,230                  | 0                             | 25,270,230                             | 43,459,264   | 67,339,235                              | 1,390,259  | 1,812.7   |
| 12. Earthquake.....  | 2,967                    | (126,758)                   | 2,967                         | (126,758)                              | 979,695  | (431,510)                               | 1,284,446  | 8.4   |
| 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                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 16. Workers' compensation.....                                 | 127,822,352              | 191,775,878                 | 128,150,522                   | 191,447,708                            | 1,994,085,921  | 1,885,904,850                           | 299,628,779  | 65.5  |
| 17.1 Other liability - occurrence.....                         | 72,646,445               | 114,437,679                 | 72,689,965                    | 114,394,158                            | 1,440,053,850  | 1,383,292,933                           | 171,155,076  | 46.9  |
| 17.2 Other liability - claims-made.....                        | 19,467,170               | 69,449,662                  | 19,467,170                    | 69,449,662                             | 324,892,385  | 296,502,161                             | 97,839,886   | 71.4  |
| 18.1 Products liability - occurrence.....                      | 11,409,254               | 43,173,501                  | 11,459,890                    | 43,122,865                             | 295,756,628  | 330,111,025                             | 8,768,469  | 33.5  |
| 18.2 Products liability - claims-made.....                     | 0                        | 1,746,808                   | 0                             | 1,746,808                              | 6,832,571  | 7,828,747                               | 750,632  | 23.8  |
| 19.1, 19.2 Private passenger auto liability.....               | 7,671,888                | 216,001,412                 | 7,671,888                     | 216,001,412                            | 306,995,368  | 317,749,934                             | 205,246,847  | 57.0  |
| 19.3, 19.4 Commercial auto liability.....                      | 544,513                  | 70,278,316                  | 544,513                       | 70,278,316                             | 397,797,453  | 338,800,610                             | 129,275,159  | 39.9  |
| 21. Auto physical damage.....                                  | (36,267)                 | 166,959,543                 | (36,267)                      | 166,959,543                            | 21,004,780   | 23,997,839                              | 163,966,484  | 51.9  |
| 22. Aircraft (all perils).....                                 | (3,678)                  | (327,428)                   | (183,931)                     | (147,175)                              | 5,595,495  | 5,658,252                               | (209,933)  | (224.3)   |
| 23. Fidelity.....  | (198,913)                | 5,820,170                   | (328,393)                     | 5,949,650                              | 19,408,063   | 17,214,547                              | 8,143,166  | 56.3  |
| 24. Surety.....  | 4,735,506                | 5,340,677                   | (2,307,991)                   | 12,384,173                             | 86,979,834   | 85,830,269                              | 13,533,738   | (1,182.9)   |
| 26. Burglary and theft.....                                    | 189                      | 283,300                     | 3,177                         | 280,312                                | 1,509,184  | 1,976,627                               | (187,131)  | (15.7)  |
| 27. Boiler and machinery.....                                  | 0                        | 9,696,342                   | 0                             | 9,696,342                              | 10,693,178   | 10,891,777                              | 9,497,743  | 26.3  |
| 28. Credit.....  | 0                        | 250,079                     | 0                             | 250,079                                | 2,397,755  | 2,636,738                               | 11,096   | 25.2  |
| 29. International.....   | 0                        | 18,894,583                  | 0                             | 18,894,583                             | 2,595,015  | 20,350,532                              | 1,139,067  | 192.2   |
| 30. Reinsurance - nonproportional assumed property.....        | XXX                      | 16,681,858                  | 3,919                         | 16,677,939                             | 21,877,136   | 46,264,139                              | (7,709,064)  | (219.6)   |
| 31. Reinsurance - nonproportional assumed liability.....       | XXX                      | 83,927,788                  | 17,950,946                    | 65,976,842                             | 390,805,836  | 407,802,580                             | 48,980,097   | 602.0   |
| 32. Reinsurance - nonproportional assumed financial lines..... | XXX                      | 436,291                     | (9,947)                       | 446,237                                | 7,978,180  | 8,050,171                               | 374,246  | 57.3  |
| 33. Aggregate write-ins for other lines of business.....       | 0                        | (11)                        | 0                             | (11)                                   | 324  | (287)                                   | 601  | 56.7  |
| 34. TOTALS.....  | 265,170,970              | 1,654,704,028               | 279,885,354                   | 1,639,989,644                          | 6,328,790,254  | 6,263,010,744                           | 1,705,769,153  | 46.9  |

**DETAILS OF WRITE-INS**

|  |   |      |   |      |       |       |     |      |
|--|---|------|---|------|-------|-------|-----|------|
| 3301. Auto Warranty.....   | 0 | (11) | 0 | (11) | (277) | (287) | 0   | 0.0  |
| 3302. Tribal Workers Compensation.....                                   | 0 | 0    | 0 | 0    | 601   | 0     | 601 | 56.7 |
| 3303. ....   | 0 | 0    | 0 | 0    | 0     | 0     | 0   | 0.0  |
| 3398. Summary of remaining write-ins for Line 33 from overflow page..... | 0 | 0    | 0 | 0    | 0     | 0     | 0   | XXX  |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....       | 0 | (11) | 0 | (11) | 324   | (287) | 601 | 56.7 |

**UNDERWRITING AND INVESTMENT EXHIBIT**

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

| Line of Business   | Reported Losses |                          |  |   | Incurred But Not Reported |                          |                        | 8<br>Net Losses Unpaid<br>(Cols. 4 + 5 + 6 - 7) | 9<br>Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|--|---|---------------------------|--------------------------|------------------------|---|--------------------------------------|
|  | 1<br>Direct     | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4<br>Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded |   |                                      |
| 1. Fire.....   | 2,643,352       | 35,448,271               | 4,272,893  | 33,818,730  | 200,154                   | 28,737,789               | 291,911                | 62,464,762                                      | 5,693,950                            |
| 2. Allied lines.....   | 343,163         | 19,636,494               | 524,870  | 19,454,787  | 151,489                   | 42,728,231               | 11,919,014             | 50,415,493                                      | 7,864,805                            |
| 3. Farmowners multiple peril.....                              | 0               | 4,123,058                | 0  | 4,123,058   | 9,311                     | 1,977,965                | 9,311                  | 6,101,023                                       | 2,901,740                            |
| 4. Homeowners multiple peril.....                              | 7,896,847       | 59,232,450               | 8,510,478  | 58,618,819  | 5,138,848                 | 76,870,273               | 5,271,506              | 135,356,434                                     | 22,865,987                           |
| 5. Commercial multiple peril.....                              | 8,558,189       | 255,867,885              | 14,324,413   | 250,101,661   | 12,755,990                | 324,291,841              | 12,755,990             | 574,393,503                                     | 225,330,449                          |
| 6. Mortgage guaranty.....                                      | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 8. Ocean marine.....   | 11,337          | 20,352,274               | 1,842,134  | 18,521,478  | 390                       | 19,137,912               | 390                    | 37,659,390                                      | 7,745,021                            |
| 9. Inland marine.....  | 164,382         | 28,412,386               | 180,779  | 28,395,989  | 18,969                    | 24,037,078               | 18,969                 | 52,433,068                                      | 8,590,795                            |
| 10. Financial guaranty.....                                    | 0               | 0                        | 0  | 0   | (0)                       | (0)                      | (1)                    | 0   | 0                                    |
| 11.1 Medical malpractice - occurrence.....                     | 616,977         | 27,700,450               | 616,977  | 27,700,450  | 3,565,593                 | 568,217                  | 3,565,593              | 28,268,667                                      | 4,020,525                            |
| 11.2 Medical malpractice - claims-made.....                    | 0               | 38,312,228               | 0  | 38,312,228  | 0                         | 5,147,036                | 0                      | 43,459,264                                      | 5,077,194                            |
| 12. Earthquake.....  | 880             | (18,259)                 | 880  | (18,259)  | 40,658                    | 997,954                  | 40,658                 | 979,695   | 1,585,314                            |
| 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               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | (a) 0   | 0                                    |
| 16. Workers' compensation.....                                 | 885,963,399     | 1,068,646,157            | 890,981,371  | 1,063,628,185   | 585,637,263               | 934,764,692              | 589,944,218            | 1,994,085,921                                   | 231,443,216                          |
| 17.1 Other liability - occurrence.....                         | 238,877,033     | 278,939,080              | 242,550,520  | 275,265,593   | 1,545,488,741             | 1,165,042,925            | 1,545,743,409          | 1,440,053,850                                   | 438,912,979                          |
| 17.2 Other liability - claims-made.....                        | 16,282,905      | 107,915,051              | 16,282,905   | 107,915,051   | 19,962,790                | 220,168,190              | 23,153,646             | 324,892,385                                     | 82,389,528                           |
| 18.1 Products liability - occurrence.....                      | 18,805,786      | 60,828,330               | 19,523,936   | 60,110,181  | 649,545,924               | 235,944,146              | 649,843,622            | 295,756,628                                     | 173,451,719                          |
| 18.2 Products liability - claims-made.....                     | 0               | (96,486)                 | 0  | (96,486)  | 0                         | 6,929,057                | 0                      | 6,832,571                                       | 4,568,082                            |
| 19.1, 19.2 Private passenger auto liability.....               | 80,117,996      | 173,445,220              | 80,117,996   | 173,445,220   | 11,071,711                | 133,550,149              | 11,071,711             | 306,995,368                                     | 55,258,650                           |
| 19.3, 19.4 Commercial auto liability.....                      | 6,646,994       | 206,842,261              | 6,817,396  | 206,671,859   | 2,580,867                 | 191,125,594              | 2,580,867              | 397,797,453                                     | 63,053,008                           |
| 21. Auto physical damage.....                                  | 146,918         | 10,774,683               | 146,918  | 10,774,683  | 327,588                   | 10,230,097               | 327,588                | 21,004,780                                      | 8,851,305                            |
| 22. Aircraft (all perils).....                                 | 205,676         | 2,046,072                | 713,651  | 1,538,098   | 42,648                    | 4,057,397                | 42,648                 | 5,595,495                                       | 623,111                              |
| 23. Fidelity.....  | 1,181,991       | 9,350,377                | 1,203,522  | 9,328,846   | 1,205,994                 | 11,770,557               | 2,897,334              | 19,408,063                                      | 2,896,029                            |
| 24. Surety.....  | 18,588,679      | 69,434,046               | 26,844,076   | 61,178,649  | 17,578,119                | 41,238,192               | 33,015,126             | 86,979,834                                      | 13,083,956                           |
| 26. Burglary and theft.....                                    | 21              | 97,424                   | 917  | 96,528  | 139,719                   | 1,415,745                | 142,807                | 1,509,184                                       | 367,185                              |
| 27. Boiler and machinery.....                                  | 0               | 3,806,788                | 33   | 3,806,755   | 0                         | 6,886,423                | 0                      | 10,693,178                                      | 2,346,657                            |
| 28. Credit.....  | 0               | 1,942,021                | 0  | 1,942,021   | 0                         | 455,735                  | 0                      | 2,397,755                                       | 52,930                               |
| 29. International.....   | 0               | 1,134,648                | 0  | 1,134,648   | 0                         | 1,460,367                | 0                      | 2,595,015                                       | 60,739                               |
| 30. Reinsurance - nonproportional assumed property.....        | XXX             | 15,899,038               | 682,412  | 15,216,626  | XXX                       | 6,660,510                | 0                      | 21,877,136                                      | 1,494,708                            |
| 31. Reinsurance - nonproportional assumed liability.....       | XXX             | 252,363,808              | 45,911,021   | 206,452,787   | XXX                       | 184,353,049              | 0                      | 390,805,836                                     | 10,222,809                           |
| 32. Reinsurance - nonproportional assumed financial lines..... | XXX             | 3,307,236                | 177,254  | 3,129,982   | XXX                       | 4,848,198                | 0                      | 7,978,180                                       | 37,240                               |
| 33. Aggregate write-ins for other lines of business.....       | 0               | (277)                    | 0  | (277)   | 0                         | 601                      | 0                      | 324   | 53                                   |
| 34. TOTALS.....  | 1,287,052,526   | 2,755,742,715            | 1,362,227,351  | 2,680,567,890   | 2,855,462,763             | 3,685,395,918            | 2,892,636,318          | 6,328,790,254                                   | 1,380,789,686                        |

**DETAILS OF WRITE-INS**

|  |   |       |   |       |   |     |   |       |    |
|--|---|-------|---|-------|---|-----|---|-------|----|
| 3301. Auto Warranty.....   | 0 | (277) | 0 | (277) | 0 | 0   | 0 | (277) | 0  |
| 3302. Tribal Workers Compensation.....                                   | 0 | 0     | 0 | 0     | 0 | 601 | 0 | 601   | 53 |
| 3303.....  | 0 | 0     | 0 | 0     | 0 | 0   | 0 | 0     | 0  |
| 3398. Summary of remaining write-ins for Line 33 from overflow page..... | 0 | 0     | 0 | 0     | 0 | 0   | 0 | 0     | 0  |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....       | 0 | (277) | 0 | (277) | 0 | 601 | 0 | 324   | 53 |

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

# TRAVELERS CASUALTY AND SURETY COMPANY

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

|   | 1                           | 2                                 | 3                      | 4                     |
|---|-----------------------------|-----------------------------------|------------------------|-----------------------|
|   | Loss Adjustment<br>Expenses | Other<br>Underwriting<br>Expenses | Investment<br>Expenses | Total                 |
| 1. Claim adjustment services:   |                             |                                   |                        |                       |
| 1.1 Direct.....   | (21,710,135)                | 0                                 | 0                      | (21,710,135)          |
| 1.2 Reinsurance assumed.....  | 219,752,616                 | 0                                 | 0                      | 219,752,616           |
| 1.3 Reinsurance ceded.....  | 20,272,208                  | 0                                 | 0                      | 20,272,208            |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....  | 177,770,272                 | 0                                 | 0                      | 177,770,272           |
| 2. Commission and brokerage:  |                             |                                   |                        |                       |
| 2.1 Direct, excluding contingent.....   | 0                           | 52,214,472                        | 0                      | 52,214,472            |
| 2.2 Reinsurance assumed, excluding contingent.....  | 0                           | 551,855,687                       | 0                      | 551,855,687           |
| 2.3 Reinsurance ceded, excluding contingent.....  | 0                           | 55,589,237                        | 0                      | 55,589,237            |
| 2.4 Contingent - direct.....  | 0                           | 2,733,011                         | 0                      | 2,733,011             |
| 2.5 Contingent - reinsurance assumed.....   | 0                           | 14,758,880                        | 0                      | 14,758,880            |
| 2.6 Contingent - reinsurance ceded.....   | 0                           | 2,943,174                         | 0                      | 2,943,174             |
| 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                           | 563,029,641                       | 0                      | 563,029,641           |
| 3. Allowances to managers and agents.....   | 0                           | 1,509,874                         | 0                      | 1,509,874             |
| 4. Advertising.....   | 6,869                       | 15,386,100                        | 0                      | 15,392,969            |
| 5. Boards, bureaus and associations.....  | 1,060,170                   | 14,930,837                        | 1,792                  | 15,992,799            |
| 6. Surveys and underwriting reports.....  | 21,112                      | 14,887,116                        | 21                     | 14,908,249            |
| 7. Audit of assureds' records.....  | 0                           | 0                                 | 0                      | 0                     |
| 8. Salary and related items:  |                             |                                   |                        |                       |
| 8.1 Salaries.....   | 156,936,818                 | 255,334,358                       | 5,639,146              | 417,910,322           |
| 8.2 Payroll taxes.....  | 8,793,984                   | 16,461,110                        | 250,249                | 25,505,343            |
| 9. Employee relations and welfare.....  | 22,427,483                  | 35,196,254                        | 513,500                | 58,137,236            |
| 10. Insurance.....  | 30,027,841                  | 5,795,819                         | 2,686                  | 35,826,346            |
| 11. Directors' fees.....  | 0                           | 5,614                             | 0                      | 5,614                 |
| 12. Travel and travel items.....  | 6,479,028                   | 16,080,382                        | 106,025                | 22,665,435            |
| 13. Rent and rent items.....  | 10,271,045                  | 20,777,223                        | 235,009                | 31,283,276            |
| 14. Equipment.....  | 2,385,380                   | 7,728,845                         | 108,716                | 10,222,942            |
| 15. Cost or depreciation of EDP equipment and software.....   | 2,230,309                   | 31,910,229                        | 412,211                | 34,552,750            |
| 16. Printing and stationery.....  | 1,218,523                   | 3,721,556                         | 45,665                 | 4,985,745             |
| 17. Postage, telephone and telegraph, exchange and express.....   | 3,500,391                   | 14,679,903                        | 164,845                | 18,345,138            |
| 18. Legal and auditing.....   | 11,814,365                  | 12,970,511                        | 415,193                | 25,200,069            |
| 19. Totals (Lines 3 to 18).....   | 257,173,319                 | 467,375,730                       | 7,895,058              | 732,444,107           |
| 20. Taxes, licenses and fees:   |                             |                                   |                        |                       |
| 20.1 State and local insurance taxes deducting guaranty association credits<br>of \$.....2,662,476..... | 0                           | 100,068,687                       | 0                      | 100,068,687           |
| 20.2 Insurance department licenses and fees.....  | 0                           | 7,089,557                         | 0                      | 7,089,557             |
| 20.3 Gross guaranty association assessments.....  | 0                           | 4,489,380                         | 0                      | 4,489,380             |
| 20.4 All other (excluding federal and foreign income and real estate).....                              | 0                           | 1,369,826                         | 0                      | 1,369,826             |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....                                    | 0                           | 113,017,450                       | 0                      | 113,017,450           |
| 21. Real estate expenses.....   | 0                           | 0                                 | 470,512                | 470,512               |
| 22. Real estate taxes.....  | 0                           | 0                                 | 109,884                | 109,884               |
| 23. Reimbursements by uninsured plans.....  | 0                           | 0                                 | 0                      | 0                     |
| 24. Aggregate write-ins for miscellaneous expenses.....   | 5,127,953                   | (2,859,563)                       | 948,453                | 3,216,843             |
| 25. Total expenses incurred.....  | 440,071,544                 | 1,140,563,257                     | 9,423,908              | (a).....1,590,058,709 |
| 26. Less unpaid expenses - current year.....  | 1,380,789,685               | 318,871,703                       | 3,650,300              | 1,703,311,688         |
| 27. Add unpaid expenses - prior year.....   | 1,392,834,380               | 309,931,033                       | 697,972                | 1,703,463,385         |
| 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).....   | 452,116,239                 | 1,131,622,588                     | 6,471,579              | 1,590,210,406         |

#### DETAILS OF WRITE-INS

|  |             |              |         |              |
|--|-------------|--------------|---------|--------------|
| 2401. Miscellaneous expenses.....  | 7,380,911   | 36,785,433   | 948,453 | 45,114,798   |
| 2402. Service reimbursements.....  | (2,252,958) | (23,138,337) | 0       | (25,391,295) |
| 2403. Costs of computer software developed for internal use.....         | 0           | (16,506,660) | 0       | (16,506,660) |
| 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).....       | 5,127,953   | (2,859,563)  | 948,453 | 3,216,843    |

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

## EXHIBIT OF NET INVESTMENT INCOME

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....19,085,037            | .....18,267,780            |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....272,924,528           | .....278,456,147           |
| 1.2 Other bonds (unaffiliated).....  | (a).....136,037,609           | .....135,874,785           |
| 1.3 Bonds of affiliates.....   | (a).....0                     | .....0                     |
| 2.1 Preferred stocks (unaffiliated).....                                     | (b).....7,245,050             | .....7,622,780             |
| 2.11 Preferred stocks of affiliates.....                                     | (b).....0                     | .....0                     |
| 2.2 Common stocks (unaffiliated).....  | .....534                      | .....534                   |
| 2.21 Common stocks of affiliates.....  | .....479,836,587              | .....479,836,587           |
| 3. Mortgage loans.....   | (c).....1,094,588             | .....1,060,283             |
| 4. Real estate.....  | (d).....1,142,848             | .....1,142,848             |
| 5. Contract loans.....   | .....0                        | .....0                     |
| 6. Cash, cash equivalents and short-term investments.....                    | (e).....22,493,200            | .....22,476,346            |
| 7. Derivative instruments.....   | (f).....0                     | .....0                     |
| 8. Other invested assets.....  | .....34,208,384               | .....34,208,384            |
| 9. Aggregate write-ins for investment income.....                            | .....2,539,416                | .....2,539,416             |
| 10. Total gross investment income.....                                       | .....976,607,782              | .....981,485,889           |
| 11. Investment expenses.....   |                               | (g).....9,423,908          |
| 12. Investment taxes, licenses and fees, excluding federal income taxes..... |                               | (g).....0                  |
| 13. Interest expense.....  |                               | (h).....3,354,497          |
| 14. Depreciation on real estate and other invested assets.....               |                               | (i).....333,480            |
| 15. Aggregate write-ins for deductions from investment income.....           |                               | .....0                     |
| 16. Total deductions (Lines 11 through 15).....                              |                               | .....13,111,885            |
| 17. Net investment income (Line 10 minus Line 16).....                       |                               | .....968,374,004           |

## DETAILS OF WRITE-INS

|  |                |                |
|--|----------------|----------------|
| 0901. Property or Wind Pool Plans.....                                   | .....2,800,059 | .....2,800,059 |
| 0902. Partnership Management Fees.....                                   | .....(663,442) | .....(663,442) |
| 0903. Lending of Security Fees.....                                      | .....303,773   | .....303,773   |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | .....99,028    | .....99,028    |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....        | .....2,539,416 | .....2,539,416 |
| 1501. ....   |                | .....0         |
| 1502. ....   |                | .....0         |
| 1503. ....   |                | .....0         |
| 1598. Summary of remaining write-ins for Line 15 from overflow page..... |                | .....0         |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....       |                | .....0         |

- (a) Includes \$.....5,424,780 accrual of discount less \$.....41,590,530 amortization of premium and less \$.....8,782,336 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 \$.....3,666 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 \$.....3,354,497 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....333,480 depreciation on real estate and \$.....0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

|   | 1<br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain (Loss)<br>(Columns 1 + 2) | 4<br>Change in<br>Unrealized<br>Capital Gain (Loss) | 5<br>Change in<br>Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
|---|---|---------------------------------------|---|---|---|
| 1. U.S. government bonds.....                             | .....10,769   | .....0                                | .....10,769   | .....0  | .....0  |
| 1.1 Bonds exempt from U.S. tax.....                       | .....1,130,816  | .....0                                | .....1,130,816  | .....(667,292)                                      | .....0  |
| 1.2 Other bonds (unaffiliated).....                       | .....285,912  | .....(5,780,088)                      | .....(5,494,176)  | .....(3,856,589)                                    | .....0  |
| 1.3 Bonds of affiliates.....                              | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 2.1 Preferred stocks (unaffiliated).....                  | .....618,215  | .....(0)                              | .....618,215  | .....(1,083,352)                                    | .....0  |
| 2.11 Preferred stocks of affiliates.....                  | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 2.2 Common stocks (unaffiliated).....                     | .....187,265  | .....(0)                              | .....187,265  | .....(141,620)                                      | .....37   |
| 2.21 Common stocks of affiliates.....                     | .....0  | .....0                                | .....0  | .....209,416,964                                    | .....0  |
| 3. Mortgage loans.....                                    | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 4. Real estate.....                                       | .....1,423,256  | .....0                                | .....1,423,256  | .....0  | .....0  |
| 5. Contract loans.....                                    | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 6. Cash, cash equivalents and short-term investments..... | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 7. Derivative instruments.....                            | .....(3,838,857)  | .....0                                | .....(3,838,857)  | .....(4,520,520)                                    | .....0  |
| 8. Other invested assets.....                             | .....0  | .....(7,585,601)                      | .....(7,585,601)  | .....115,174,842                                    | .....0  |
| 9. Aggregate write-ins for capital gains (losses).....    | .....0  | .....356,124                          | .....356,124  | .....(14,282,123)                                   | .....296,974  |
| 10. Total capital gains (losses).....                     | .....(182,624)  | .....(13,009,565)                     | .....(13,192,189)   | .....300,040,310                                    | .....297,011  |

## DETAILS OF WRITE-INS

|   |        |              |              |                   |              |
|---|--------|--------------|--------------|-------------------|--------------|
| 0901. Correction of error - private equities.....                       | .....0 | .....0       | .....0       | .....(2,813,911)  | .....0       |
| 0902. Correction of error - Canadian subsidiary.....                    | .....0 | .....0       | .....0       | .....(11,468,212) | .....0       |
| 0903. Foreign Exchange.....   | .....0 | .....356,124 | .....356,124 | .....0            | .....0       |
| 0998. Summary of remaining write-ins for Line 9 from overflow page..... | .....0 | .....0       | .....0       | .....0            | .....296,974 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....       | .....0 | .....356,124 | .....356,124 | .....(14,282,123) | .....296,974 |

## EXHIBIT OF NONADMITTED ASSETS

|   | 1<br>Current Year<br>Total<br>Nonadmitted Assets | 2<br>Prior Year<br>Total<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(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.....  | 12,055,007                                       | 0  | (12,055,007)  |
| 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)<br>and short-term investments (Schedule DA).....          | 0  | 0  | 0   |
| 6. Contract loans.....  | 0  | 0  | 0   |
| 7. Other invested assets (Schedule BA).....   | 0  | 77,645   | 77,645  |
| 8. Receivables for securities.....  | 0  | 0  | 0   |
| 9. Aggregate write-ins for invested assets.....   | 0  | 0  | 0   |
| 10. Subtotals, cash and invested assets (Lines 1 to 9).....   | 12,055,007                                       | 77,645   | (11,977,362)  |
| 11. Title plants (for Title insurers only).....   | 0  | 0  | 0   |
| 12. Investment income due and accrued.....  | 0  | 0  | 0   |
| 13. Premiums and considerations:  |  |  |   |
| 13.1 Uncollected premiums and agents' balances in the course of collection.....   | 28,013,000                                       | 24,841,594                                     | (3,171,406)   |
| 13.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due.....                       | 10,231,032                                       | 6,317,243                                      | (3,913,789)   |
| 13.3 Accrued retrospective premiums.....  | 797,595  | 1,510,647                                      | 713,052   |
| 14. Reinsurance:  |  |  |   |
| 14.1 Amounts recoverable from reinsurers.....   | 0  | 0  | 0   |
| 14.2 Funds held by or deposited with reinsured companies.....   | 0  | 0  | 0   |
| 14.3 Other amounts receivable under reinsurance contracts.....  | 0  | 0  | 0   |
| 15. Amounts receivable relating to uninsured plans.....   | 0  | 0  | 0   |
| 16.1 Current federal and foreign income tax recoverable and interest thereon.....   | 0  | 0  | 0   |
| 16.2 Net deferred tax asset.....  | 285,423,790                                      | 425,621,357                                    | 140,197,567   |
| 17. Guaranty funds receivable or on deposit.....  | 0  | 0  | 0   |
| 18. Electronic data processing equipment and software.....  | 0  | 0  | 0   |
| 19. Furniture and equipment, including health care delivery assets.....   | 0  | 0  | 0   |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates.....   | 0  | 0  | 0   |
| 21. Receivable from parent, subsidiaries and affiliates.....  | 0  | 0  | 0   |
| 22. Health care and other amounts receivable.....   | 0  | 0  | 0   |
| 23. Aggregate write-ins for other than invested assets.....   | 254,741,549                                      | 331,925,196                                    | 77,183,648  |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts (Lines 10 through 23)..... | 591,261,973                                      | 790,293,683                                    | 199,031,710   |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....  | 0  | 0  | 0   |
| 26. TOTALS (Lines 24 and 25).....   | 591,261,973                                      | 790,293,683                                    | 199,031,710   |

## DETAILS OF WRITE-INS

|  |             |             |            |
|--|-------------|-------------|------------|
| 0901.....  | 0           | 0           | 0          |
| 0902.....  | 0           | 0           | 0          |
| 0903.....  | 0           | 0           | 0          |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | 0           | 0           | 0          |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....        | 0           | 0           | 0          |
| 2301. Amounts receivable under high deductible policies.....             | 12,860,904  | 12,551,116  | (309,788)  |
| 2302. Other assets nonadmitted.....                                      | 241,880,644 | 319,374,080 | 77,493,436 |
| 2303.....  | 0           | 0           | 0          |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 0           | 0           | 0          |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....       | 254,741,549 | 331,925,196 | 77,183,648 |

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

- A. Travelers Casualty and Surety 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 statutory surplus was 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. 10, *Income Taxes*. Goodwill is recognized in accordance with SSAP No. 68, *Business Combinations and Goodwill*, and amortized to unrealized capital losses over a period not to exceed 10 years.

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.

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.

Redeemable preferred stocks (NAIC Class 1 and 2) are generally stated at amortized cost, whereas NAIC Class 3-6 are stated at the lower of cost, amortized cost, or NAIC fair value. Perpetual preferred stocks (NAIC Class 1 and 2) are generally stated at NAIC fair value, while NAIC Class 3-6 are stated at the lower of cost or 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.

Real estate is stated at depreciated cost, net of encumbrances and specific impairments.

Loan-backed and structured securities are amortized using the retrospective method. The effective yield used to determine amortization is calculated based on actual historical and projected future cash flows, which are obtained from a widely-accepted 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 also exercises 100% control over Travelers Lloyds of Texas Insurance Company, an unincorporated association, reported on Schedule BA based on the underlying statutory equity of its financial statements.

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).

For accounting policy in regards to derivative instruments, see Note 8.

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

Property-casualty reserves are established for loss and LAE and include estimates of both reported and unreported claims incurred and related expenses. The reserves are regularly adjusted based upon experience. In determining loss and LAE reserves, the Company continually reviews its overall reserve position, its reserving techniques and its reinsurance. These reserves represent the estimated ultimate cost of all incurred losses and LAE net of reinsurance. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are included in net income in the period in which the estimates are changed. Such changes may be material to net income and could occur in a future period. For a discussion of loss and LAE related to asbestos and environmental reserves, see Note 32.

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**

On October 1, 2007, Discover Reinsurance Company (Discover Re) was merged into The Travelers Indemnity Company (Indemnity), and its business became part of the Travelers Reinsurance Pool (TRV Pool). In accordance with SSAP No. 66, *Accrued Retrospectively Rated Contracts*, accrued retrospective premiums may be recorded to either written or earned premiums. Discover Re historically accounted for its accrued retrospective premiums as an adjustment to written premium, and affiliates participating in the TRV Pool accounted for its accrued retrospective premiums as an adjustment to earned premiums.

In order to conform accounting policies, all new business written subsequent to October 1, 2007 will be recorded on an earned basis. The Discover Re business written prior to that date will continue to be recorded as written premium and tracked on a written basis. The result of conforming the accounting policy on a prospective basis does not result in any impact to net income or surplus.

**3. BUSINESS COMBINATIONS AND GOODWILL****A. Statutory Purchase Method:**

- On January 1, 2005, the Company purchased from its affiliate, the St. Paul Fire and Marine Insurance Company (Fire and Marine), 100% of the Travelers Guarantee Company of Canada (Travelers Guarantee, formerly known as St. Paul Guarantee Insurance Company), a Canadian insurance company.

In conjunction with this purchase, a formal filing was made with the Office of the Superintendent of Financial Institutions in Canada in order to amalgamate Travelers Guarantee and Travelers Casualty and Surety Company of Canada, a subsidiary of the Company. The effective date of the amalgamation was January 1, 2005 and Travelers Guarantee was the surviving company.

- The purchase of Travelers Guarantee was accounted for as a statutory purchase.
- The cost of Travelers Guarantee was \$135 million resulting in goodwill in the amount of \$41.7 million.
- Goodwill amortization relating to the purchase of Travelers Guarantee was \$4.2 million for the year ended December 31, 2007.

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**NOTES TO FINANCIAL STATEMENTS**


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## B. Statutory Merger:

Not applicable.

## C. Impairment Loss:

Not applicable.

## 4. DISCONTINUED OPERATIONS

Not applicable.

## 5. INVESTMENTS

## A. Mortgage Loans:

The maximum percentage of any one loan-to-value of security at the time the loan was made, exclusive of any purchase money or insured or guaranteed mortgages was 83%.

## B. Debt Restructuring:

Not applicable.

## 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 were recalculated using actual and anticipated cash flows, including anticipated prepayments, with the original cost.

For collateralized mortgage obligations and asset-backed securities, the Smith Barney Mortgage Prepayment Model provided by Yield Book® is used to project prepayments whenever it is available. For pass-through certificates and when collateralized mortgage obligations and asset-backed securities are not modeled in Yield Book® or no prepayment model is provided, a consensus forecast from Bloomberg L.P. is used if available, otherwise the average three-month prepayment history is used.

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

## E. Repurchase Agreements:

Not applicable.

## F. Real Estate

Not applicable.

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

Not applicable.

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

## A. Not applicable.

B. Based on analysis of the prevailing facts and circumstances, the Company could not forecast a recovery of the carrying value (audited GAAP equity, which approximates fair value) of two limited partnerships up to or beyond their revised cost bases. As a result, the Company recognized other-than-temporary impairments totaling \$7,585,601 related to these investments. These impairments were accounted for as realized losses when the cost bases of these investments were written down to carrying value. There was no net impact to surplus because these realized losses were offset by the reversal of the unrealized losses previously recorded on the impaired investments.

## 7. INVESTMENT INCOME

A. Surplus excludes due and accrued investment income if amounts are over 180 days past due for mortgage loans and over 90 days past due for all other invested assets.

B. At December 31, 2007, the Company had no past due accrued investment income.

## 8. DERIVATIVE INSTRUMENTS

The Company uses financial futures contracts as a means of hedging exposure to interest rate risk on existing assets. The Company does not hold or issue derivative instruments for trading purposes.

These derivative financial instruments have off-balance-sheet risk. Financial instruments with off-balance-sheet risk involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of these instruments reflect the extent of involvement the Company has in a particular class of financial instrument. However, the maximum loss of cash flow associated with these instruments can be less than these amounts. Financial futures contracts have very little credit risk since organized exchanges are the counterparties.

The Company uses exchange traded financial futures contracts in connection with macrohedges intended to reduce interest rate risk by adjusting portfolio duration. See Schedule DB - Part D for additional information.

Margin payments are required to enter a futures contract and contract gains or losses are settled daily in cash. The contract amount of futures contracts represents the extent of the Company's involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract.

**NOTES TO FINANCIAL STATEMENTS**

## 9. INCOME TAXES

A. The components of the net deferred tax asset (liability) recognized in the Company's assets, liabilities, surplus and other funds are as follows:

|   | <u>December 31, 2007</u> | <u>December 31, 2006</u> |
|---|--------------------------|--------------------------|
| Total of gross deferred tax assets          | \$ 648,448,681           | \$ 721,599,625           |
| Total of deferred tax liabilities           | <u>(105,954,288)</u>     | <u>(61,582,065)</u>      |
| Net deferred tax asset (liability)          | 542,494,393              | 660,017,560              |
| Deferred tax asset nonadmitted              | <u>(285,423,790)</u>     | <u>(425,621,357)</u>     |
| Net admitted deferred tax asset (liability) | <u>\$ 257,070,603</u>    | <u>\$ 234,396,203</u>    |
| (Increase) decrease in nonadmitted asset    | \$ 140,197,567           | \$ 49,934,693            |

B. As of December 31, 2007 the Company had undistributed earnings in certain foreign subsidiaries of \$56,200,000. The Company does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future.

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

|   | <u>December 31, 2007</u> | <u>December 31, 2006</u> |
|---|--------------------------|--------------------------|
| Federal                                   | \$ 135,252,553           | \$ 189,821,703           |
| Foreign                                   | <u>1,162,031</u>         | <u>2,570,474</u>         |
|   | 136,414,584              | 192,392,177              |
| Federal income taxes on net capital gains | <u>12,437,707</u>        | <u>(6,135,792)</u>       |
| Federal and foreign income taxes incurred | <u>\$ 148,852,291</u>    | <u>\$ 186,256,385</u>    |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

|  | <u>December 31, 2007</u> | <u>December 31, 2006</u> |
|--|--------------------------|--------------------------|
| Deferred tax assets:                         |                          |                          |
| Claims and claim adjustment expense reserves | \$ 313,857,999           | \$ 369,056,397           |
| Unearned premium reserves                    | 114,729,836              | 111,365,042              |
| Nonadmitted assets                           | 102,824,113              | 127,635,314              |
| Guaranty Fund assessments                    | 21,748,177               | 16,900,739               |
| Employee benefits                            | 2,999,207                | 3,087,639                |
| Investments                                  | 57,008,483               | 45,092,081               |
| Other assets                                 | <u>35,280,866</u>        | <u>48,462,413</u>        |
| Total deferred tax assets                    | 648,448,681              | 721,599,625              |
| Nonadmitted deferred tax assets              | <u>(285,423,790)</u>     | <u>(425,621,357)</u>     |
| Admitted deferred tax assets                 | <u>363,024,891</u>       | <u>295,978,268</u>       |
| Deferred tax liabilities:                    |                          |                          |
| Investments                                  | 92,312,102               | 50,735,291               |
| Guaranty fund assessments                    | 418,610                  | 5,843,727                |
| Other liabilities                            | <u>13,223,576</u>        | <u>5,003,047</u>         |
| Total deferred tax liabilities               | <u>105,954,288</u>       | <u>61,582,065</u>        |
| Net admitted tax asset                       | <u>\$ 257,070,603</u>    | <u>\$ 234,396,203</u>    |

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

|   | <u>December 31, 2007</u> | <u>December 31, 2006</u> | <u>Change</u>           |
|---|--------------------------|--------------------------|-------------------------|
| Total deferred tax assets               | \$ 648,448,681           | \$ 721,599,625           | \$ (73,150,944)         |
| Total deferred tax liabilities          | <u>(105,954,288)</u>     | <u>(61,582,065)</u>      | <u>(44,372,223)</u>     |
| Net deferred tax asset (liability)      | <u>\$ 542,494,393</u>    | <u>\$ 660,017,560</u>    | (117,523,167)           |
| Tax effect of unrealized gains (losses) |                          |                          | 7,302,652               |
| Change in net deferred income taxes     |                          |                          | <u>\$ (110,220,515)</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, 2007</u> |
|--------------------------------------|--------------------------|
| Pretax net income (loss)             | \$1,289,494,180          |
| Taxes at statutory rate              | \$ 451,322,963           |
| Increase (decrease) attributable to: |                          |
| Nontaxable investment income         | (252,172,521)            |
| Nonadmitted assets                   | 24,811,201               |
| LLC Income                           | 29,773,318               |
| Other                                | <u>5,337,845</u>         |
| Total statutory income taxes         | <u>\$ 259,072,806</u>    |
| Federal and foreign taxes incurred   | \$ 148,852,291           |
| Change in net deferred taxes         | <u>110,220,515</u>       |
| Total statutory income taxes         | <u>\$ 259,072,806</u>    |
| Effective tax rate                   | 20.1%                    |

E. 1. The Company has no operating loss or tax credit carryforwards available for tax purposes.

2. The Company has \$184,364,383 and \$185,146,899 of federal income tax from the current and prior tax year respectively, available for recoupment in the event of future losses.

F. 1. The company is included in a consolidated federal income tax return with its ultimate parent company, The Travelers Companies, Inc. (TRV), formerly The St. Paul Travelers Companies, Inc. 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 AND AFFILIATES**

A-C. In December 2007, the Company received a return of capital of \$22,499,773 from its subsidiary, TCS International Investments Ltd.

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:

1. 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.
  2. 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, 2007 and 2006, the TRVMMLP totaled \$4,235,629,965 and \$4,146,238,219, respectively.
- D. At December 31, 2007 and 2006, the Company had \$73,045,374 and \$13,626,139 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.
- E. The Company has not provided any guarantees for the benefit of an affiliate which would result in a material contingent exposure for the Company or any affiliated insurer's assets to liabilities, to the extent not disclosed in Note 14.
- 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" 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 Travelers Insurance Group Holdings, Inc. (TIGHI), which in turn is indirectly owned by TRV, a publicly traded insurance holding company, the organization of which is shown in Schedule Y - Part 1.

H. Not applicable.

I. Not applicable.

J. Not applicable.

K. Not applicable.

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 in the form of a cash balance sponsored by TRV for substantially all employees of the Company and its property-casualty affiliates. In addition the Company participates in nonqualified defined benefit pension plans sponsored by TRV and by Travelers Property Casualty Corp. (TPC) 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 \$5,571,229 and \$5,274,812 for 2007 and 2006, respectively.

**2. Postretirement Benefit Plan:**

The Company participates in a health care 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 \$2,175,431 and \$3,096,046 for 2007 and 2006, 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 \$14,158,962 and \$13,279,932 for 2007 and 2006, respectively.

**NOTES TO FINANCIAL STATEMENTS**

## 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 1,000 shares of common capital stock authorized, issued and outstanding with a par value of \$25,000 per share.

The Company paid ordinary dividends of \$597.0 million \$500.0 million to its parent company, TIGHI in 2007 and 2006, 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 2008 without prior approval is \$1,140,641,000.

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 the special surplus funds is a result of retroactive reinsurance activity occurring in 2007. See Note 22F for additional detail.

Unassigned funds or surplus has been increased by cumulative net unrealized gains of \$1,815,555,165.

## 14. CONTINGENCIES

## A. Contingent Commitments:

At December 31, 2007, the Company had commitments to fund investments of \$371.6 million.

## B. Assessments:

The Company has accrued liabilities of \$56.6 million for guaranty fund and other insurance-related assessments (primarily second injury fund assessments) and related recoverables of \$2.2 million at December 31, 2007. The assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants and the recoverables are expected to occur over the same period of time.

## C. Gain Contingencies:

Not applicable.

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

The Company paid \$50,000 in the reporting period on one claim 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. All Other Contingencies:

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 26.

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, 2007, 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 32.

## 15. LEASES

## A. Lessee Leasing Arrangements:

1. At December 31, 2007 and 2006, 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 2007 and 2006 was \$7,347,698 and \$16,732,675, 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.

2. Aggregate future minimum rental payments for leases having initial or remaining noncancelable lease terms in excess of one year for the Company totaled \$26,771,021 at December 31, 2007. Future minimum rental payments for each of the five succeeding years are as follows:

| <u>Year</u> | <u>Operating Leases</u> |
|-------------|-------------------------|
| 2008        | \$ 6,210,819            |
| 2009        | 5,332,842               |
| 2010        | 5,314,017               |
| 2011        | 4,875,412               |
| 2012        | 3,468,364               |

At December 31, 2007, aggregate future minimum rental payments to be received by the Company under non-cancelable subleases totaled \$6,137,879.

## 3. Sale-Leaseback Transactions:

Not applicable.

## B. Lessor's Business Activities:

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

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

The Company uses financial futures contracts as a means of hedging exposure to interest rate risk on existing assets. These derivative financial instruments have off-balance-sheet risk. See Note 8 for a discussion of these financial instruments, including credit and market risk, cash requirements and related accounting policy. For further details of the above instruments, including contract or notional principal amounts, see Schedule DB.

**NOTES TO FINANCIAL STATEMENTS**

In the normal course of business, the Company has unfunded commitments to partnerships and limited liability companies. The off-balance-sheet risks of these financial instruments were \$371.6 million at December 31, 2007.

In prior years, the Company underwrote insurance guaranteeing the securities of other issuers, primarily corporate bond issuers. The Company no longer writes such guarantees. At December 31, 2007 and 2006, the Company's aggregate net amount of guarantees of principal and interest for such securities was approximately \$0.5 million.

Also in past years, the Company underwrote financial guarantee insurance representing the Company's participation in the Municipal Bond Insurance Association's (MBIA) guarantee of municipal bond obligations. The Company has no net exposure for the guarantee of principal and interest for such securities as the Company's participation in MBIA has been reinsured. The gross amounts of such financial guarantees was \$422 million and \$516 million at December 31, 2007 and 2006, respectively.

**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. Therefore, the Company does not recognize the receipt of the collateral held by the third party custodian or the obligation to return the collateral. The loaned securities remain a recorded asset of the Company. See Schedule LS for additional information.

**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.

**20. 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.

2007 Schedule P:

The 1997 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          | Accident Years |        |        |        |         | 1993 & Prior |
|---------------------|----------------|--------|--------|--------|---------|--------------|
|                     | 1997           | 1996   | 1995   | 1994   | 1993    |              |
| Part 1A             | \$ 367         | \$ 155 | \$ 330 | \$ 95  | \$ 330  |              |
| Part 1B             | 427            | 147    | 117    | 82     | 58,961  |              |
| Part 1C             | 75             | 850    | 804    | (476)  | 4,536   |              |
| Part 1D             | 51,320         | 44,054 | 48,213 | 42,282 | 619,771 |              |
| Part 1E             | 7,639          | 6,427  | 4,421  | 3,996  | 66,221  |              |
| Part 1F - Section 1 | 1,529          | 552    | 858    | 121    | 2,667   |              |
| Part 1F - Section 2 | 2,519          | 1,931  | 1,074  | 187    | 3,543   |              |
| Part 1G             | 716            | 391    | 407    | 330    | 2,850   |              |
| Part 1H - Section 1 | 21,517         | 24,358 | 16,751 | 27,272 | 628,781 |              |
| Part 1H - Section 2 | 4,557          | 2,175  | 2,002  | 2,080  | 7,716   |              |
| Part 1M             | 824            | 485    | 830    | 1,064  | 2,948   |              |
| Part 1N             | 41             | 31     | 15     | (74)   | 294     |              |
| Part 1O             | 12,928         | 666    | 861    | 360    | 1,547   |              |
| Part 1P             | -              | -      | -      | -      | -       |              |
| Part 1R - Section 1 | 5,875          | 8,741  | 8,458  | 4,651  | 301,126 |              |
| Part 1R - Section 2 | 570            | 325    | 120    | 160    | 1,478   |              |

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):

|                           | 2002     | 2001     | 2000     | 1999     | 1998  | 1997    | 1996 | 1995  | 1994  |
|---------------------------|----------|----------|----------|----------|-------|---------|------|-------|-------|
| Commercial Auto           | \$ (223) | \$ (356) | \$ (29)  | \$ -     | \$ -  | \$ -    | \$ - | \$ -  | \$ -  |
| Workers' Compensation     | (1,860)  | (1,733)  | (487)    | (11,948) | -     | (355)   | -    | -     | -     |
| Commercial Multiple Peril | -        | -        | -        | -        | -     | -       | -    | -     | -     |
| Medical Malpractice - CM  | -        | -        | (26,346) | -        | -     | -       | -    | -     | -     |
| Special Liability         | (16)     | -        | -        | -        | -     | -       | -    | -     | -     |
| Other Liability - Occ     | (2,461)  | (8)      | (12)     | -        | (324) | (1,428) | (58) | (224) | (310) |
| Other Liability - CM      | -        | (5,257)  | -        | -        | -     | -       | -    | -     | -     |
| Special Property          | (92)     | -        | -        | -        | -     | -       | -    | -     | -     |
| Other                     | (23)     | -        | -        | -        | -     | -       | -    | -     | -     |
| Reinsurance A             | (735)    | -        | -        | -        | -     | -       | -    | -     | -     |
| Reinsurance B             | (6,822)  | -        | -        | -        | -     | -       | -    | -     | -     |

**D. Uncollectible Premium Balances:**

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

## E. Business Interruption Insurance Recoveries:

Not applicable.

## F. State Transferable Tax Credits:

Not applicable.

## G. The Company has no protective tax deposits with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.

## H. Hybrid Securities:

At December 31, 2006 the Company held hybrid securities that are reported in Schedule D, Part 2, Section 1 as follows:

| <u>CUSIP</u> | <u>Issuer/Description</u>    | <u>Type</u> | <u>Carrying Value</u> |
|--------------|------------------------------|-------------|-----------------------|
| 055967AA1    | BOI CAP Funding II           | Perpetual   | \$ 863,780            |
| 06739FEY3    | Barclays BK PLC              | Perpetual   | 2,791,440             |
| 233048AA5    | DBS Bank LTD Singapore Notes | Redeemable  | 4,715,000             |
| 539439AA7    | Lloyds TSB Group PLC         | Perpetual   | 2,721,570             |
| 564759QB7    | Manufacturers & Traders      | Redeemable  | 1,847,300             |
| 86800XAA6    | Suntrust PFD CAP I           | Perpetual   | 882,500               |
| 87019XAA1    | Swedbank 9.00%               | Perpetual   | 4,272,000             |
| 91731KAA8    | USB Capital IX               | Perpetual   | 1,810,000             |
| Total        |                              |             | <u>\$19,903,590</u>   |

## I. 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:

- 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. Included in this analysis are conservative assumptions regarding default and loss severity on the underlying mortgage pool. To date, the Company has not impaired any bonds in its existing subprime mortgage-backed portfolio.

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

|                                 |              |
|---------------------------------|--------------|
| a. Actual cost                  | \$63,357,156 |
| b. Book adjusted carrying value | 63,245,306   |
| c. Fair value                   | 64,562,147   |

## 21. EVENTS SUBSEQUENT

Not applicable.

## 22. REINSURANCE

## A. Unsecured Reinsurance Recoverables:

## 1. Affiliated Company Recoverables:

The Company participates in the TRV Pool (see Note 25) 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, 2007, 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      | \$ 11,430,563,890 |
| Travelers Casualty and Surety Company                     | 06-6033504      | 9,349,116,878     |
| The Phoenix Insurance Company                             | 06-0303275      | 2,295,952,082     |
| The Standard Fire Insurance Company                       | 06-6033509      | 2,222,481,615     |
| United States Fidelity and Guaranty Company               | 52-0515280      | 2,026,425,637     |
| Travelers Casualty Insurance Company of America           | 06-0876835      | 1,253,589,837     |
| Farmington Casualty Company                               | 06-1067463      | 679,601,816       |
| The Automobile Insurance Company of Hartford, Connecticut | 06-0848755      | 629,090,871       |
| The Travelers Indemnity Company of Connecticut            | 06-0336212      | 629,090,871       |
| The Charter Oak Fire Insurance Company                    | 06-0291290      | 583,171,829       |
| Northland Insurance Company                               | 41-6009967      | 560,681,157       |
| St. Paul Surplus Lines Insurance Company                  | 41-1230819      | 404,087,567       |
| The Travelers Indemnity Company of America                | 58-6020487      | 353,576,621       |
| St. Paul Protective Insurance Company                     | 36-2542404      | 266,330,441       |
| Northfield Insurance Company                              | 41-0983992      | 238,779,017       |
| Travelers Commercial Insurance Company                    | 06-1286268      | 215,819,496       |
| Travelers Casualty Company of Connecticut                 | 06-1286266      | 215,819,496       |
| Travelers Commercial Casualty Company                     | 95-3634110      | 215,819,496       |
| St. Paul Mercury Insurance Company                        | 41-0881659      | 183,676,166       |
| Travelers Property Casualty Company of America            | 36-2719165      | 165,308,550       |

**NOTES TO FINANCIAL STATEMENTS**

|  |            |                          |
|--|------------|--------------------------|
| Travelers Property Casualty Insurance Company      | 06-1286274 | 137,757,125              |
| Athena Assurance Company                           | 41-1435765 | 133,165,221              |
| St. Paul Medical Liability Insurance Company       | 41-1435766 | 133,165,221              |
| Travelers Personal Security Insurance Company      | 06-1286264 | 123,981,412              |
| Travelers Personal Insurance Company               | 36-3703200 | 123,981,412              |
| Travelers Excess and Surplus Lines Company         | 06-1203698 | 123,981,412              |
| TravCo Insurance Company                           | 35-1838077 | 123,981,412              |
| The Travelers Home and Marine Insurance Company    | 35-1838079 | 123,981,412              |
| Discover Property & Casualty Insurance Company     | 36-2999370 | 64,286,658               |
| Discover Specialty Insurance Company               | 52-1925132 | 64,286,658               |
| Northland Casualty Company                         | 94-6051964 | 64,286,658               |
| Fidelity and Guaranty Insurance Underwriters, Inc. | 52-0616768 | 45,919,042               |
| American Equity Specialty Insurance Company        | 86-0868106 | 45,919,042               |
| St. Paul Guardian Insurance Company                | 41-0963301 | 45,919,042               |
| Total  |            | <u>\$ 35,273,595,060</u> |

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

| Company   | F.E.I.N.   | Amount                   |
|---|------------|--------------------------|
| St. Paul Fire and Marine Insurance Company                | 41-0406690 | \$ 9,693,667,064         |
| Travelers Property Casualty Company of America            | 36-2719165 | 9,655,067,314            |
| Travelers Casualty and Surety Company                     | 06-6033504 | 5,060,953,951            |
| United States Fidelity and Guaranty Company               | 52-0515280 | 3,360,667,015            |
| The Travelers Indemnity Company of Connecticut            | 06-0336212 | 2,425,948,718            |
| The Travelers Indemnity Company of America                | 58-6020487 | 2,341,746,077            |
| St. Paul Mercury Insurance Company                        | 41-0881659 | 2,053,913,600            |
| The Standard Fire Insurance Company                       | 06-6033509 | 1,920,171,311            |
| The Charter Oak Fire Insurance Company                    | 06-0291290 | 1,785,297,366            |
| The Phoenix Insurance Company                             | 06-0303275 | 1,432,044,539            |
| Discover Property & Casualty Insurance Company            | 36-2999370 | 926,911,827              |
| St. Paul Surplus Lines Insurance Company                  | 41-1230819 | 857,707,971              |
| The Automobile Insurance Company of Hartford, Connecticut | 06-0848755 | 779,819,503              |
| Northland Insurance Company                               | 41-6009967 | 734,325,780              |
| Travelers Casualty Insurance Company of America           | 06-0876835 | 487,649,888              |
| The Travelers Home and Marine Insurance Company           | 35-1838079 | 481,792,598              |
| Farmington Casualty Company                               | 06-1067463 | 379,174,977              |
| Travelers Property Casualty Insurance Company             | 06-1286274 | 315,704,424              |
| St. Paul Guardian Insurance Company                       | 41-0963301 | 272,778,366              |
| Fidelity and Guaranty Insurance Underwriters, Inc.        | 52-0616768 | 267,338,088              |
| Northfield Insurance Company                              | 41-0983992 | 222,527,743              |
| TravCo Insurance Company                                  | 35-1838077 | 212,229,651              |
| St. Paul Protective Insurance Company                     | 36-2542404 | 167,674,099              |
| Travelers Commercial Casualty Company                     | 95-3634110 | 161,083,199              |
| Travelers Personal Insurance Company                      | 36-3703200 | 134,053,334              |
| Travelers Commercial Insurance Company                    | 06-1286268 | 130,909,429              |
| Travelers Excess and Surplus Lines Company                | 06-1203698 | 95,900,283               |
| Travelers Casualty Company of Connecticut                 | 06-1286266 | 82,621,594               |
| Travelers Personal Security Insurance Company             | 06-1286264 | 79,633,090               |
| Athena Assurance Company                                  | 41-1435765 | 51,695,650               |
| St. Paul Medical Liability Insurance Company              | 41-1435766 | 38,075,200               |
| Discover Specialty Insurance Company                      | 52-1925132 | 35,863,534               |
| Northland Casualty Company                                | 94-6051964 | 22,276,595               |
| American Equity Specialty Insurance Company               | 86-0868106 | 20,281,352               |
| Total   |            | <u>\$ 46,687,505,130</u> |

In addition, the Company had \$176,793,172 of unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums, that exceeded 3% of its surplus as regards policyholders, recoverable from Travelers Casualty and Surety Company of America.

2. Unaffiliated Company Recoverables:

The unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums recoverable from any unaffiliated reinsurer at December 31, 2007, that exceeded 3% of the Company's surplus as regards policyholders, were as follows:

NONE

Additional detail on reinsurance recoverable balances by reinsurer is shown in Schedule F - Part 3.

B. Reinsurance Recoverable in Dispute:

Not applicable.

C. Reinsurance Assumed and Ceded:

| 1.         | Assumed Reinsurance     |                       | Ceded Reinsurance     |                      | Net                     |                       |
|------------|-------------------------|-----------------------|-----------------------|----------------------|-------------------------|-----------------------|
|            | Premium Reserve         | Commission Equity     | Premium Reserve       | Commission Equity    | Premium Reserve         | Commission Equity     |
| Affiliates | \$ 1,638,997,665        | \$ 210,605,828        | \$ 219,820,529        | \$ 28,246,218        | \$ 1,419,177,136        | \$ 182,359,610        |
| All Other  | 10,578,891              | 1,359,353             | -                     | -                    | 10,578,891              | 1,359,353             |
| Total      | <u>\$ 1,649,576,556</u> | <u>\$ 211,965,181</u> | <u>\$ 219,820,529</u> | <u>\$ 28,246,218</u> | <u>\$ 1,429,756,027</u> | <u>\$ 183,718,963</u> |

Direct Unearned Premium Reserve \$ 209,241,637

2. Accruals for contingent, sliding scale adjustment and other profit sharing commissions, net of reinsurance assumed and ceded, amounted to \$18,594,172 at December 31, 2007. This balance represents the Company's 20.36% pro rata share of the net amount of the TRV Pool (see Note 25):

|                          |                      |
|--------------------------|----------------------|
| Direct Business          | \$ 2,313,173         |
| Add: Reinsurance Assumed | 18,594,172           |
| Less: Reinsurance Ceded  | <u>2,313,173</u>     |
| Net                      | <u>\$ 18,594,172</u> |

D. Uncollectible Reinsurance:

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

## E. Commutation of Ceded Reinsurance:

Not applicable.

## Retroactive Reinsurance:

| 1.   | <u>Assumed</u>      | <u>Ceded</u>          |
|--|---------------------|-----------------------|
| a. Reserves Transferred:                             |                     |                       |
| (1) Initial Reserves                                 | \$ 1,913,840        | \$ 98,813,722         |
| (2) Adjustments - Prior Year(s)                      | (610,800)           | 27,820,784            |
| (3) Adjustments - Current Year                       | -                   | 9,145,042             |
| (4) Current Total                                    | <u>\$ 1,303,040</u> | <u>\$ 135,779,548</u> |
| b. Consideration Paid or Received:                   |                     |                       |
| (1) Initial Consideration                            | \$ 2,128,656        | \$ 87,560,276         |
| (2) Adjustments - Prior Year(s)                      | -                   | 5,647,428             |
| (3) Adjustments - Current Year                       | -                   | 5,033,664             |
| (4) Current Total                                    | <u>\$ 2,128,656</u> | <u>\$ 98,241,368</u>  |
| c. Paid Losses Reimbursed or Recovered:              |                     |                       |
| (1) Prior Year(s)                                    | \$ 779,133          | \$ 39,589,243         |
| (2) Current Year                                     | 8,349               | 32,541,982            |
| (3) Current Total                                    | <u>\$ 787,482</u>   | <u>\$ 72,131,225</u>  |
| d. Special Surplus From Retroactive Reinsurance:     |                     |                       |
| (1) Initial Surplus Gain or Loss                     | \$ 214,816          | \$ 11,253,446         |
| (2) Adjustments - Prior Year(s)                      | 610,800             | 22,173,355            |
| (3) Adjustments - Current Year                       | -                   | 4,111,379             |
| (4) Current Year Restricted Surplus                  | <u>\$ 825,616</u>   | <u>\$ 36,430,655</u>  |
| (5) Cumulative Total Transferred to Unassigned Funds | <u>\$ -</u>         | <u>\$ 1,107,525</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)       | \$ 1,303,040        | \$ -                  |
| Commercial Risk Re-Insurance Co. (27955)       | -                   | 2,687,520             |
| XL Reinsurance America (13-1290712)            | -                   | 9,379,540             |
| Folksamerica Reinsurance Co (38776)            | -                   | 5,555,336             |
| General Reinsurance Corporation (22039)        | -                   | 61,080,000            |
| nSpire Re Limited (AA-1784124)                 | -                   | 15,512,506            |
| Platinum Underwriters Reinsurance Inc. (10357) | -                   | 21,019,064            |
| Various  | -                   | 20,545,582            |
| Total  | <u>\$ 1,303,040</u> | <u>\$ 135,779,548</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) | \$ 323,385                        | \$ -                                | \$ -                   |
| nSpire Re Limited (AA-178412)                  | -                                 | -                                   | 5,230,450              |
| Various  | 2,219,040                         | 485,040                             | 49,835                 |
| Total  | <u>\$ 2,542,425</u>               | <u>\$ 485,040</u>                   | <u>\$ 5,280,285</u>    |

## Reinsurance Accounted for as a Deposit:

In connection with the 1992 sale of American Re-Insurance Company (Am Re), a reinsurance agreement was entered into that provides that to the extent Am Re incurred losses in 1991 and prior that were still outstanding at January 1, 1992, in excess of \$2.7 billion, the Company has an 80% participation in payments on those losses up to a maximum of \$500 million. This agreement has been accounted for as a deposit since 1996 and a liability has been established for the expected payout under the agreement. The effective yield as of December 31, 2007 was determined to be 13.9%.

| <u>Year</u> | <u>Interest Income/ (Expense)</u> | <u>Cash Payments</u> | <u>Deposit (Liability)/ Asset Balance</u> |
|-------------|-----------------------------------|----------------------|---|
| 1995        |                                   |                      | \$ (151,300,000)                          |
| 1996        | \$ (9,300,000)                    |                      | (160,600,000)                             |
| 1997        | (13,200,000)                      |                      | (173,800,000)                             |
| 1998        | (15,500,000)                      |                      | (189,300,000)                             |
| 1999        | (13,000,000)                      |                      | (202,300,000)                             |
| 2000        | (15,200,000)                      |                      | (217,500,000)                             |
| 2001        | (22,500,000)                      |                      | (240,000,000)                             |
| 2002        | (34,000,000)                      |                      | (274,000,000)                             |
| 2003        | (50,500,000)                      |                      | (324,500,000)                             |
| 2004        | (48,000,000)                      |                      | (372,500,000)                             |
| 2005        | (53,000,000)                      | \$ 94,810,284        | (330,689,716)                             |
| 2006        | (25,841,076)                      | 102,686,093          | (253,844,699)                             |
| 2007        | (30,698,167)                      | 128,654,177          | (155,888,689)                             |

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

A. Accrued retrospective premiums (Page 2, Line 13.3) 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 25).

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. See Schedule P - Part 7A.

D. Calculation of nonadmitted retrospective premium:

|                                   |                      |
|-----------------------------------|----------------------|
| 1. Total accrued retro premium    | \$ 47,041,369        |
| 2. Unsecured amount               | 7,975,949            |
| 3. Less: Nonadmitted amount (10%) | <u>797,595</u>       |
| 4. Admitted amount (1) - (3)      | <u>\$ 46,243,774</u> |

**NOTES TO FINANCIAL STATEMENTS****24. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES**

In 2007, reserves for incurred losses and loss adjustment expenses for claims arising in prior years decreased by \$72,454,056, primarily due to private passenger auto liability, commercial auto liability, commercial multiple peril, and special property, partially offset by an increase in other liability – occurrence, other liability – claims made, reinsurance assumed liability and products liability – occurrence lines of business.

The decrease in private passenger auto liability is primarily driven by better than expected results from changes in claim handling practices. The decrease in commercial auto liability is attributable to an improving tort environment, claim handling initiatives and improvements in auto safety technology. The decrease in commercial multiple peril is primarily due to an improving tort environment, as well as better than expected results from enhanced risk control, underwriting and claim process initiatives. The decrease in special property is primarily attributable to fewer than expected late reported claims related to non-catastrophe weather events that occurred late in 2006, as well as better than expected frequency and severity due in part to changes in the marketplace, such as higher deductibles and lower policy limits. In addition, special property experienced better than expected large loss outcomes which were partially attributable to favorable litigation resolutions.

The increase in other liability – occurrence is due to strengthening of environmental reserves as a result of higher than expected defense and settlement costs, driven in part by coverage disputes with policyholders and adverse judicial developments in certain states regarding the availability of coverage for environmental claims. In addition, the increase was driven by a moderation in the rate of decline of both the number of new policyholders tendering claims for the first time and the number of pending lawsuits pertaining to coverage for environmental claims. The increase in other liability – claims made is due to greater than expected development on large losses as well as a ceded reserve release for older years as a result of ongoing analyses of recent data. The increase in reinsurance assumed liability is primarily due to reserve strengthening associated with voluntary pools as well as a ceded reserve reallocation to other liability – occurrence and reinsurance assumed property. The increase in products liability – occurrence is primarily attributable to a projected increase in loss adjustment expenses associated with handling mass tort claims.

The remaining changes are generally the result of ongoing analysis of recent loss data and trends. A portion of the change from prior year effects relates to retrospectively rated policies and will not have a material impact on surplus due to accompanying premium adjustments.

**25. INTERCOMPANY POOLING ARRANGEMENTS**

On October 1, 2007, effective January 1, 2007, after receiving all required regulatory approvals, the TRV Pool, which includes the Company, was amended to include four former members of the Northland Pool (American Equity Specialty Insurance Company, Northland Insurance Company, Northfield Insurance Company, Northland Casualty Company), and three additional participants, Fidelity and Guaranty Insurance Underwriters, Inc. (FGIU), St. Paul Guardian Insurance Company (Guardian), and St. Paul Mercury Insurance Company (Mercury). Prior to this amendment FGIU, Guardian, and Mercury ceded 100% of their business to the TRV Pool.

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<br/>Company Code</u> | <u>Pool<br/>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                            |

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.

**26. 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.

## NOTES TO FINANCIAL STATEMENTS

The following life insurance companies held reserves at December 31, 2007, for structured settlement annuities purchased by members of the TRV Pool (see Note 25), of which \$639,905,058 is attributable to the Company:

| <u>Life Insurance Company and Location</u>             | <u>Licensed in Company's<br/>State of Domicile</u> | <u>Statement<br/>Value of Annuities</u> |
|--|--|---|
| Fidelity and Guaranty Life Insurance Co, Baltimore, MD | Yes  | \$713,804,021                           |
| MetLife Insurance Company of Connecticut, Hartford, CT | Yes  | 516,783,815                             |
| Genworth Life and Annuity, Richmond, VA                | Yes  | 282,277,708                             |
| Symetra Life Insurance Company, Bellevue, WA           | Yes  | 274,036,726                             |
| All other companies                                    |  | 1,356,049,882                           |

### 27. HEALTH CARE RECEIVABLES

Not applicable.

### 28. PARTICIPATING POLICIES

Not applicable.

### 29. PREMIUM DEFICIENCY RESERVES

As of December 31, 2007, 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.

### 30. HIGH DEDUCTIBLES

At December 31, 2007, the amount of reserve credit recorded by the Company for high deductible policies on unpaid claims was \$1,784,881,056 and the amount billed and outstanding on paid claims was \$21,981,561. These amounts represent the Company's proportionate share of the TRV Pool (see Note 25).

### 31. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

A. Tabular workers' compensation reserves have been discounted at a maximum rate of 5% using tables appropriate to the state laws under which the benefits are paid, generally 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 & 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 & 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 relating to excess coverage on workers' compensation life table claims have been discounted on the same basis as workers' compensation reserves.

The December 31, 2007 liabilities of the Company and its affiliates listed below included the following amounts of such discounted liabilities:

| <u>Company</u>  | <u>Workers'<br/>Compensation</u> | <u>Other Liability</u> |
|---|----------------------------------|------------------------|
| St. Paul Fire and Marine Insurance Company                | \$ 429,126,387                   | \$ 10,812,410          |
| The Travelers Indemnity Company                           | 403,160,691                      | 10,158,166             |
| Travelers Casualty and Surety Company                     | 352,441,034                      | 8,880,218              |
| The Phoenix Insurance Company                             | 86,552,317                       | 2,180,800              |
| The Standard Fire Insurance Company                       | 83,782,643                       | 2,111,014              |
| United States Fidelity and Guaranty Company               | 76,339,143                       | 1,923,466              |
| Travelers Casualty Insurance Company of America           | 47,257,565                       | 1,190,717              |
| Farmington Casualty Company                               | 25,619,486                       | 645,517                |
| The Automobile Insurance Company of Hartford, Connecticut | 23,715,335                       | 597,539                |
| The Travelers Indemnity Company of Connecticut            | 23,715,335                       | 597,539                |
| The Charter Oak Fire Insurance Company                    | 21,984,288                       | 553,923                |
| Northland Insurance Company                               | 21,118,765                       | 532,115                |
| St. Paul Surplus Lines Insurance Company                  | 15,233,208                       | 383,821                |
| The Travelers Indemnity Company of America                | 13,329,057                       | 335,843                |
| St. Paul Protective Insurance Company                     | 10,040,069                       | 252,973                |
| Northfield Insurance Company                              | 9,001,441                        | 226,803                |
| Travelers Casualty Company of Connecticut                 | 8,135,918                        | 204,995                |
| Travelers Commercial Casualty Company                     | 8,135,918                        | 204,995                |
| Travelers Commercial Insurance Company                    | 8,135,918                        | 204,995                |
| St. Paul Mercury Insurance Company                        | 6,924,185                        | 174,464                |
| Travelers Property Casualty Company of America            | 6,231,767                        | 157,018                |
| Travelers Property Casualty Insurance Company             | 5,193,139                        | 130,848                |
| St. Paul Medical Liability Insurance Company              | 5,020,034                        | 126,486                |
| Athena Assurance Company                                  | 5,020,034                        | 126,486                |
| TravCo Insurance Company                                  | 4,673,825                        | 117,763                |
| Travelers Excess and Surplus Lines Company                | 4,673,825                        | 117,763                |
| The Travelers Home and Marine Insurance Company           | 4,673,825                        | 117,763                |
| Travelers Personal Insurance Company                      | 4,673,825                        | 117,763                |
| Travelers Personal Security Insurance Company             | 4,673,825                        | 117,763                |
| Discover Property & Casualty Insurance Company            | 2,423,465                        | 61,062                 |
| Discover Specialty Insurance Company                      | 2,423,465                        | 61,062                 |
| Northland Casualty Company                                | 2,423,465                        | 61,062                 |
| American Equity Specialty Insurance Company               | 1,731,046                        | 43,616                 |
| St. Paul Guardian Insurance Company                       | 1,731,046                        | 43,616                 |
| Fidelity and Guaranty Insurance Underwriters, Inc.        | 1,731,046                        | 43,616                 |
| Total   | <u>\$ 1,731,046,335</u>          | <u>\$ 43,616,000</u>   |



## NOTES TO FINANCIAL STATEMENTS

The amount of tabular discount for workers' compensation and other liability reserves at December 31, 2007 was as follows:

### Tabular Discount Included in Schedule P - Part 1

| Company  | Workers' Compensation |                      | Other Liability     |                     |
|--|-----------------------|----------------------|---------------------|---------------------|
|  | Case                  | IBNR                 | Case                | IBNR                |
| St. Paul Fire and Marine Insurance Company         | \$ 119,680,663        | \$ 92,529,987        | \$ 2,081,372        | \$ 1,980,966        |
| The Travelers Indemnity Company                    | 112,438,996           | 86,931,154           | 1,955,428           | 1,861,104           |
| Travelers Casualty and Surety Company              | 98,293,601            | 75,994,774           | 1,709,426           | 1,626,968           |
| The Phoenix Insurance Company                      | 24,138,900            | 18,662,764           | 419,800             | 399,550             |
| The Standard Fire Insurance Company                | 23,366,455            | 18,065,555           | 406,366             | 386,764             |
| United States Fidelity and Guaranty Company        | 21,290,510            | 16,460,558           | 370,264             | 352,403             |
| Travelers Casualty Insurance Company of America    | 13,179,839            | 10,189,869           | 229,211             | 218,154             |
| Farmington Casualty Company                        | 7,145,114             | 5,524,178            | 124,261             | 118,267             |
| The Automobile Insurance Company of Hartford, CT   | 6,614,059             | 5,113,597            | 115,025             | 109,477             |
| The Travelers Indemnity Company of Connecticut     | 6,614,059             | 5,113,597            | 115,025             | 109,477             |
| The Charter Oak Fire Insurance Company             | 6,131,281             | 4,740,342            | 106,629             | 101,486             |
| Northland Insurance Company                        | 5,889,892             | 4,553,714            | 102,431             | 97,490              |
| St. Paul Surplus Lines Insurance Company           | 4,248,446             | 3,284,646            | 73,885              | 70,321              |
| The Travelers Indemnity Company of America         | 3,717,391             | 2,874,066            | 64,649              | 61,531              |
| St. Paul Protective Insurance Company              | 2,800,112             | 2,164,881            | 48,697              | 46,348              |
| Northfield Insurance Company                       | 2,510,446             | 1,940,927            | 43,659              | 41,553              |
| Travelers Casualty Company of Connecticut          | 2,269,057             | 1,754,300            | 39,461              | 37,558              |
| Travelers Commercial Casualty Company              | 2,269,057             | 1,754,300            | 39,461              | 37,558              |
| Travelers Commercial Insurance Company             | 2,269,057             | 1,754,300            | 39,461              | 37,558              |
| St. Paul Mercury Insurance Company                 | 1,931,112             | 1,493,021            | 33,584              | 31,964              |
| Travelers Property Casualty Company of America     | 1,738,001             | 1,343,719            | 30,226              | 28,768              |
| Travelers Property Casualty Insurance Company      | 1,448,334             | 1,119,766            | 25,188              | 23,973              |
| St. Paul Medical Liability Insurance Company       | 1,400,056             | 1,082,440            | 24,348              | 23,174              |
| Athena Assurance Company                           | 1,400,056             | 1,082,440            | 24,348              | 23,174              |
| TravCo Insurance Company                           | 1,303,501             | 1,007,789            | 22,669              | 21,576              |
| Travelers Excess and Surplus Lines Company         | 1,303,501             | 1,007,789            | 22,669              | 21,576              |
| The Travelers Home and Marine Insurance Company    | 1,303,501             | 1,007,789            | 22,669              | 21,576              |
| Travelers Personal Insurance Company               | 1,303,501             | 1,007,789            | 22,669              | 21,576              |
| Travelers Personal Security Insurance Company      | 1,303,501             | 1,007,789            | 22,669              | 21,576              |
| Discover Property & Casualty Insurance Company     | 675,889               | 522,557              | 11,754              | 11,187              |
| Discover Specialty Insurance Company               | 675,889               | 522,557              | 11,754              | 11,187              |
| Northland Casualty Company                         | 675,889               | 522,557              | 11,754              | 11,187              |
| American Equity Specialty Insurance Company        | 482,778               | 373,255              | 8,396               | 7,991               |
| St. Paul Guardian Insurance Company                | 482,778               | 373,255              | 8,396               | 7,991               |
| Fidelity and Guaranty Insurance Underwriters, Inc. | 482,778               | 373,255              | 8,396               | 7,991               |
| <b>Total</b>                                       | <b>\$482,778,000</b>  | <b>\$373,255,276</b> | <b>\$ 8,396,000</b> | <b>\$ 7,991,000</b> |

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.

### 32. ASBESTOS/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 20.36%.

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 ( )

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

With respect to reserving procedures, the Special Liability Group staff members are in daily contact with each other on pending asbestos claim activities and anticipated development. The Company also conducts quarterly asbestos reserve reviews with representatives of the claim, legal, reinsurance, finance and actuarial areas to review asbestos trends and other relevant factors. Based on these reviews, asbestos reserves are established for the Company's future exposure. Beginning in 2007 the Company supplemented the existing annual in-depth asbestos claim review and the existing quarterly asbestos review process with additional aggregate quarterly reserve analyses. These additional analyses provide the Company with an increased ability to detect and respond to emerging trends in its quarterly reserve estimates.

Because each policyholder presents different liability and coverage issues, the Company generally reviews the exposure presented by each policyholder at least annually. In the course of this review, the Company considers, among other factors: 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 each 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. For those policyholders for which an estimate of the gross ultimate exposure for indemnity and related claim adjustment expense is determined, the Company calculates, by each policy year, a ceded reinsurance projection based on any applicable facultative and treaty reinsurance, past ceded experience and reinsurance collections. Conventional actuarial methods are not utilized to establish asbestos reserves. The Company's evaluations have not resulted in any data from which a meaningful average asbestos defense or indemnity payment may be determined.

The Company also 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.

| 1. Direct Basis - Asbestos:                   | 2003                  | 2004                  | 2005                  | 2006                  | 2007                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| a. Beginning reserves:                        | \$ 1,010,245,000      | \$ 758,294,000        | \$ 831,473,000        | \$ 900,985,000        | \$ 844,799,000        |
| b. Incurred losses and LAE:                   | 28,839,000            | 166,276,000           | 158,371,000           | 39,687,000            | (3,408,000)           |
| c. Calendar year payments for losses and LAE: | <u>280,790,000</u>    | <u>93,097,000</u>     | <u>88,859,000</u>     | <u>95,873,000</u>     | <u>73,848,000</u>     |
| d. Ending reserves:                           | <u>\$ 758,294,000</u> | <u>\$ 831,473,000</u> | <u>\$ 900,985,000</u> | <u>\$ 844,799,000</u> | <u>\$ 767,543,000</u> |
| 2. Assumed Reinsurance Basis - Asbestos:      | 2003                  | 2004                  | 2005                  | 2006                  | 2007                  |
| a. Beginning reserves:                        | \$ 81,272,000         | \$ 76,444,000         | \$ 99,280,000         | \$ 109,399,000        | \$ 103,133,000        |
| b. Incurred losses and LAE:                   | 1,833,000             | 28,504,000            | 26,220,000            | 2,135,000             | 2,649,000             |
| c. Calendar year payments for losses and LAE: | <u>6,661,000</u>      | <u>5,668,000</u>      | <u>16,101,000</u>     | <u>8,401,000</u>      | <u>9,274,000</u>      |
| d. Ending reserves:                           | <u>\$ 76,444,000</u>  | <u>\$ 99,280,000</u>  | <u>\$ 109,399,000</u> | <u>\$ 103,133,000</u> | <u>\$ 96,508,000</u>  |

**NOTES TO FINANCIAL STATEMENTS**

| 3. <u>Net of Ceded Reinsurance Basis - Asbestos:</u> | <u>2003</u>           | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| a. Beginning reserves:                               | \$ 846,418,000        | \$ 665,916,000        | \$ 785,459,000        | \$ 886,346,000        | \$ 824,295,000        |
| b. Incurred losses and LAE:                          | 21,828,000            | 184,718,000           | 182,222,000           | 33,365,000            | (71,000)              |
| c. Calendar year payments for losses and LAE:        | <u>202,330,000</u>    | <u>65,175,000</u>     | <u>81,335,000</u>     | <u>95,416,000</u>     | <u>64,572,000</u>     |
| d. Ending reserves:                                  | <u>\$ 665,916,000</u> | <u>\$ 785,459,000</u> | <u>\$ 886,346,000</u> | <u>\$ 824,295,000</u> | <u>\$ 759,652,000</u> |

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

|                                    |                |
|------------------------------------|----------------|
| 1. Direct Basis:                   | \$ 679,665,000 |
| 2. Assumed Reinsurance Basis:      | \$ 53,857,000  |
| 3. Net of Ceded Reinsurance Basis: | \$ 656,083,000 |

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

|                                    |                |
|------------------------------------|----------------|
| 1. Direct Basis:                   | \$ 176,446,000 |
| 2. Assumed Reinsurance Basis:      | \$ 163,000     |
| 3. Net of Ceded Reinsurance Basis: | \$ 162,381,000 |

## 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 Company's reserves for environmental claims are not established on a claim-by-claim basis. The Company carries an aggregate bulk reserve for all the Company's environmental claims that are in dispute, until the dispute is resolved. This bulk reserve is established and adjusted based upon the aggregate volume of in-process environmental claims and the Company's experience in resolving those claims and includes unresolved and incurred but not reported environmental claims for which the Company has not received any specific claims as well as for the anticipated cost of coverage litigation disputes relating to these claims. Case reserves are established solely for resolved claims.

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 obligations 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 future liability arising from known specified sites or claims. Provisions of these agreements also include appropriate 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 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 allegations of environmental harm at each site; the number of sites; the total number of potentially responsible parties at each site; the nature of 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 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 the potential non-environmental claims, in any resolution process; and the applicable law in each jurisdiction. 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 Company also compares its historical direct and net loss and expense paid experience year-by-year, to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid activity.

|  |                       |                       |                      |                      |                      |
|--|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| 1. <u>Direct Basis - Environmental:</u>                  | <u>2003</u>           | <u>2004</u>           | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
| a. Beginning reserves:                                   | \$ 127,143,000        | \$ 88,393,000         | \$ 107,835,000       | \$ 68,864,000        | \$ 54,715,000        |
| b. Incurred losses and LAE:                              | 19,639,000            | 58,368,000            | 8,678,000            | 22,233,000           | 37,602,000           |
| c. Calendar year payments for losses and LAE:            | <u>58,389,000</u>     | <u>38,926,000</u>     | <u>47,649,000</u>    | <u>36,382,000</u>    | <u>18,976,000</u>    |
| d. Ending reserves:                                      | <u>\$ 88,393,000</u>  | <u>\$ 107,835,000</u> | <u>\$ 68,864,000</u> | <u>\$ 54,715,000</u> | <u>\$ 73,341,000</u> |
| 2. <u>Assumed Reinsurance Basis- Environmental:</u>      | <u>2003</u>           | <u>2004</u>           | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
| a. Beginning reserves:                                   | \$ 28,379,000         | \$ 27,039,000         | \$ 30,188,000        | \$ 28,477,000        | \$ 26,857,000        |
| b. Incurred losses and LAE:                              | 2,026,000             | 6,719,000             | 879,000              | 317,000              | (295,000)            |
| c. Calendar year payments for losses and LAE:            | <u>3,366,000</u>      | <u>3,570,000</u>      | <u>2,590,000</u>     | <u>1,937,000</u>     | <u>4,445,000</u>     |
| d. Ending reserves:                                      | <u>\$ 27,039,000</u>  | <u>\$ 30,188,000</u>  | <u>\$ 28,477,000</u> | <u>\$ 26,857,000</u> | <u>\$ 22,117,000</u> |
| 3. <u>Net of Ceded Reinsurance Basis- Environmental:</u> | <u>2003</u>           | <u>2004</u>           | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
| a. Beginning reserves:                                   | \$ 136,522,000        | \$ 103,384,000        | \$ 126,442,000       | \$ 86,417,000        | \$ 85,187,000        |
| b. Incurred losses and LAE:                              | 15,557,000            | 55,802,000            | 10,042,000           | 24,625,000           | 37,617,000           |
| c. Calendar year payments for losses and LAE:            | <u>48,695,000</u>     | <u>32,744,000</u>     | <u>50,067,000</u>    | <u>25,855,000</u>    | <u>23,075,000</u>    |
| d. Ending reserves:                                      | <u>\$ 103,384,000</u> | <u>\$ 126,442,000</u> | <u>\$ 86,417,000</u> | <u>\$ 85,187,000</u> | <u>\$ 99,729,000</u> |

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

|                                    |               |
|------------------------------------|---------------|
| 1. Direct Basis:                   | \$ 67,827,000 |
| 2. Assumed Reinsurance Basis:      | \$ 14,637,000 |
| 3. Net of Ceded Reinsurance Basis: | \$ 87,134,000 |

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

|                                    |               |
|------------------------------------|---------------|
| 1. Direct Basis:                   | \$ 33,389,000 |
| 2. Assumed Reinsurance Basis:      | \$ 43,000     |
| 3. Net of Ceded Reinsurance Basis: | \$ 33,428,000 |

As a result of the processes and procedures described above, management believes that the reserves carried for asbestos and environmental claims at December 31, 2007 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

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**NOTES TO FINANCIAL STATEMENTS**

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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 or decrease in 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 some 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 and future developments pertaining to the Company's ability to recover reinsurance for asbestos and environmental claims. The Company's asbestos-related claims and claim adjustment expense experience has been impacted by the unavailability of other insurance sources potentially available to policyholders, whether through exhaustion of policy limits or insolvency. In addition, uncertainties arise from the insolvency or bankruptcy of other defendants, although the Company has noted a decrease in the number and volatility of asbestos-related bankruptcies. It is also not possible to predict changes in the legal and legislative environment and their impact on the future development of asbestos and environmental claims. This development will be affected by future court decisions and interpretations, as well as changes in applicable legislation. It is also difficult to predict the ultimate outcome of large 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 asbestos and environmental 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.

**33. SUBSCRIBER SAVINGS ACCOUNTS**

Not applicable.

**34. MULTIPLE PERIL CROP INSURANCE**

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

Attachment to the 2007 Annual Statement – Notes to Financial Statements, Note 9 – Part F:  
Names of the companies included with TRV in the December 31, 2007, consolidated Federal income tax return filing

The Travelers Companies, Inc. (TRV) & Subsidiaries

| <b>Company Name</b>                                | <b>FEIN</b> | <b>Company Name</b>                              | <b>FEIN</b> |
|--|-------------|--|-------------|
| 350 MARKET STREET                                  | 41-1618103  | ST. PAUL MEDICAL LIABILITY INSURANCE COMPANY     | 41-1435766  |
| AE DEVELOPMENT GROUP, INC.                         | 06-0952727  | ST. PAUL MERCURY INSURANCE COMPANY               | 41-0881659  |
| AE PROPERTIES, INC.                                | 95-2798160  | ST. PAUL PROPERTIES, INC.                        | 41-1412523  |
| AMERICAN EQUITY INSURANCE COMPANY                  | 86-0703220  | ST. PAUL PROTECTIVE INSURANCE COMPANY            | 36-2542404  |
| AMERICAN EQUITY SPECIALTY INSURANCE COMPANY        | 86-0868106  | ST. PAUL RE (BERMUDA) LTD.                       | 98-0114704  |
| ATHENA ASSURANCE COMPANY                           | 41-1435765  | ST. PAUL SURPLUS LINES INSURANCE COMPANY         | 41-1230819  |
| ATLANTIC INSURANCE COMPANY                         | 75-6013587  | TCI GLOBAL SERVICES, INC.                        | 52-1965525  |
| BMR SPORTS PROPERTIES, INC.                        | 52-1852190  | TCS EUROPEAN INVESTMENTS, INC.                   | 06-1549972  |
| CAMPERDOWN CORPORATION                             | 41-1762781  | THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CT | 06-0848755  |
| CAPTIVA, LTD.                                      | 98-0170615  | THE CHARTER OAK FIRE INSURANCE COMPANY           | 06-0291290  |
| CASTLE PINES FIDELITY REALTY, INC.                 | 52-1735211  | THE NORTHLAND COMPANY                            | 41-0588627  |
| COMMERCIAL GUARANTY CASUALTY INSURANCE COMPANY     | 35-0293730  | THE ONE HUNDRED LIGHT STREET CORPORATION         | 52-1371908  |
| COMMERCIAL GUARANTY INSURANCE COMPANY              | 75-1679830  | THE PHOENIX INSURANCE COMPANY                    | 06-0303275  |
| CONSTITUTION PLAZA INC                             | 06-0566030  | THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS   | 04-3175569  |
| COUNTERSIGNATURE AGENCY, INC.                      | 06-1345091  | THE STANDARD FIRE INSURANCE COMPANY              | 06-6033509  |
| DISCOVER PROPERTY & CASUALTY INSURANCE COMPANY     | 36-2999370  | THE TRAVELERS ASSET FUNDING CORPORATION          | 06-1216878  |
| DISCOVER RE MANAGERS, INC.                         | 06-1288492  | THE TRAVELERS HOME AND MARINE INSURANCE COMPANY  | 35-1838079  |
| DISCOVER REINSURANCE COMPANY                       | 06-1313745  | THE TRAVELERS INDEMNITY COMPANY                  | 06-0566050  |
| DISCOVER SPECIALTY INSURANCE COMPANY               | 52-1925132  | THE TRAVELERS INDEMNITY COMPANY OF AMERICA       | 58-6020487  |
| DISCOVERY MANAGERS, LTD.                           | 06-1273933  | THE TRAVELERS INDEMNITY COMPANY OF CONNECTICUT   | 06-0336212  |
| ENGLISH TURN FIDELITY REALTY, INC.                 | 52-1466734  | THE TRAVELERS LLOYDS INSURANCE COMPANY           | 76-0002592  |
| ENGLISH TURN REALTY MANAGEMENT, INC.               | 52-1715225  | THE TRAVELERS MARINE CORPORATION                 | 94-0338230  |
| FARMINGTON CASUALTY COMPANY                        | 06-1067463  | TINDY FOREIGN, INC.                              | 20-4403403  |
| FIDELITY AND GUARANTY INSURANCE COMPANY            | 42-1091525  | TINDY RE INVESTMENTS, INC.                       | 06-1575463  |
| FIDELITY AND GUARANTY INSURANCE UNDERWRITERS, INC. | 52-0616768  | TPC INVESTMENTS, INC.                            | 06-1534005  |
| FIDELITY JV HOLDING COMPANY NUMBER TWO, INC.       | 52-1649813  | TRAVCO INSURANCE COMPANY                         | 35-1838077  |
| FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY    | 59-3372141  | TRAVELERS LLOYDS OF TEXAS INSURANCE COMPANY      | 75-1732040  |
| FIRST TRENTON INDEMNITY COMPANY                    | 22-3129711  | TRAVELERS (BERMUDA) LTD.                         | 98-0190863  |
| GULF UNDERWRITERS INSURANCE COMPANY                | 56-1371361  | TRAVELERS ALPHA HOLDINGS, INC.                   | 06-1531058  |
| JNO INDUSTRIAL, INC.                               | 52-1802629  | TRAVELERS AUTO INSURANCE COMPANY OF NEW JERSEY   | 22-3499393  |
| JUPITER HOLDINGS, INC.                             | 41-1769846  | TRAVELERS CASUALTY AND SURETY COMPANY            | 06-6033504  |
| LAUREL VILLAGE FIDELITY REALTY, INC.               | 52-1551225  | TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA | 06-0907370  |
| MENDAKOTA INSURANCE COMPANY                        | 31-1160863  | TRAVELERS CASUALTY COMPANY OF CONNECTICUT        | 06-1286266  |
| MENDOTA INSURANCE AGENCY, INC. (TX)                | 74-2482293  | TRAVELERS CASUALTY INSURANCE COMPANY OF AMERICA  | 06-0876835  |
| MENDOTA INSURANCE COMPANY                          | 41-1639286  | TRAVELERS COMMERCIAL CASUALTY COMPANY            | 95-3634110  |
| MOUNTAIN RIDGE INSURANCE COMPANY                   | 52-1957776  | TRAVELERS COMMERCIAL INSURANCE COMPANY           | 06-1286268  |
| NORTHBROOK HOLDINGS, INC.                          | 51-0375653  | TRAVELERS DISTRIBUTION ALLIANCE, INC.            | 62-1657094  |
| NORTHFIELD INSURANCE COMPANY                       | 41-0983992  | TRAVELERS EXCESS AND SURPLUS LINES COMPANY       | 06-1203698  |
| NORTHLAND CASUALTY COMPANY                         | 94-6051964  | TRAVELERS INDEMNITY UK INVESTMENTS LLC           | 06-1591454  |
| NORTHLAND INSURANCE COMPANY                        | 41-6009967  | TRAVELERS INSURANCE GROUP HOLDINGS INC.          | 06-1445591  |
| NORTHLAND RISK MANAGEMENT SERVICES, INC.           | 41-1720288  | TRAVELERS LLOYDS MANAGEMENT COMPANY              | 20-4312440  |
| SEABOARD SURETY COMPANY                            | 13-5379820  | TRAVELERS MGA, INC.                              | 75-2676034  |
| SELECT INSURANCE COMPANY                           | 75-6013697  | TRAVELERS PC FUND INVESTMENTS, INC.              | 06-1514468  |
| SPC INSURANCE AGENCY, INC.                         | 41-1888760  | TRAVELERS PERSONAL INSURANCE COMPANY             | 36-3703200  |
| ST. PAUL (BERMUDA) LTD.                            | 98-0162036  | TRAVELERS PERSONAL SECURITY INSURANCE COMPANY    | 06-1286264  |
| ST. PAUL AVIATION COMPANY                          | 52-1993243  | TRAVELERS PROPERTY CASUALTY INSURANCE COMPANY    | 06-1286274  |
| ST. PAUL BERMUDA HOLDINGS, INC.                    | 41-1835264  | TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA   | 36-2719165  |
| ST. PAUL FIRE & CASUALTY INSURANCE COMPANY         | 41-1419276  | TRAVELERS PROPERTY CASUALTY CORP.                | 06-1008174  |
| ST. PAUL FIRE & MARINE INSURANCE COMPANY           | 41-0406690  | UNITED STATES FIDELITY & GUARANTY COMPANY        | 52-0515280  |
| ST. PAUL GUARDIAN INSURANCE COMPANY                | 41-0963301  | USF&G FINANCIAL SERVICES CORPORATION             | 52-1386957  |
| ST. PAUL LONDON PROPERTIES, INC.                   | 41-1880024  | USF&G RETAIL ASSOCIATES GP, INC.                 | 52-1704255  |
|  |             | YONKERS FINANCING CORPORATION                    | 20-3033027  |

# TRAVELERS CASUALTY AND SURETY COMPANY

## SUMMARY INVESTMENT SCHEDULE

| Investment Categories  | Gross Investment Holdings |                 | Admitted Assets as Reported in the Annual Statement |                 |
|--|---------------------------|-----------------|---|-----------------|
|  | 1<br>Amount               | 2<br>Percentage | 3<br>Amount   | 4<br>Percentage |
| 1. Bonds:  |                           |                 |   |                 |
| 1.1 U.S. treasury securities.....  | 143,478,234               | 1.0             | 143,478,234   | 1.0             |
| 1.2 U.S. government agency obligations (excluding mortgage-backed securities):   |                           |                 |   |                 |
| 1.21 Issued by U.S. government agencies.....   | 23,122,148                | 0.2             | 23,122,148  | 0.2             |
| 1.22 Issued by U.S. government sponsored agencies.....   | 0                         | 0.0             | 0   | 0.0             |
| 1.3 Foreign government (including Canada, excluding mortgage-backed securities).....   | 7,361,108                 | 0.1             | 7,361,108   | 0.1             |
| 1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:   |                           |                 |   |                 |
| 1.41 States, territories and possessions general obligations.....  | 1,471,350,639             | 10.7            | 1,471,350,639                                       | 10.7            |
| 1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....                                     | 2,018,193,675             | 14.7            | 2,018,193,675                                       | 14.7            |
| 1.43 Revenue and assessment obligations.....   | 3,324,958,017             | 24.2            | 3,324,958,017                                       | 24.2            |
| 1.44 Industrial development and similar obligations.....   | 0                         | 0.0             | 0   | 0.0             |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):  |                           |                 |   |                 |
| 1.51 Pass-through securities:  |                           |                 |   |                 |
| 1.511 Issued or guaranteed by GNMA.....  | 116,419,694               | 0.8             | 116,419,694   | 0.8             |
| 1.512 Issued or guaranteed by FNMA and FHLMC.....  | 503,982,391               | 3.7             | 503,982,391   | 3.7             |
| 1.513 All other.....   | 11,525,877                | 0.1             | 11,525,877  | 0.1             |
| 1.52 CMOs and REMICs:  |                           |                 |   |                 |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....   | 323,324,736               | 2.4             | 323,324,736   | 2.4             |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521..... | 0                         | 0.0             | 0   | 0.0             |
| 1.523 All other.....   | 339,169,055               | 2.5             | 339,169,055   | 2.5             |
| 2. Other debt and other fixed income securities (excluding short-term):  |                           |                 |   |                 |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....  | 1,079,829,839             | 7.9             | 1,079,829,839                                       | 7.9             |
| 2.2 Unaffiliated foreign securities.....   | 129,058,508               | 0.9             | 129,058,508   | 0.9             |
| 2.3 Affiliated securities.....   | 0                         | 0.0             | 0   | 0.0             |
| 3. Equity interests:   |                           |                 |   |                 |
| 3.1 Investments in mutual funds.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.2 Preferred stocks:  |                           |                 |   |                 |
| 3.21 Affiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.22 Unaffiliated.....   | 105,108,850               | 0.8             | 105,108,850   | 0.8             |
| 3.3 Publicly traded equity securities (excluding preferred stocks):  |                           |                 |   |                 |
| 3.31 Affiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.32 Unaffiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.4 Other equity securities:   |                           |                 |   |                 |
| 3.41 Affiliated.....   | 2,864,767,049             | 20.8            | 2,864,767,049                                       | 20.8            |
| 3.42 Unaffiliated.....   | 2                         | 0.0             | 2   | 0.0             |
| 3.5 Other equity interests including tangible personal property under lease:   |                           |                 |   |                 |
| 3.51 Affiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.52 Unaffiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 4. Mortgage loans:   |                           |                 |   |                 |
| 4.1 Construction and land development.....   | 0                         | 0.0             | 0   | 0.0             |
| 4.2 Agricultural.....  | 0                         | 0.0             | 0   | 0.0             |
| 4.3 Single family residential properties.....  | 0                         | 0.0             | 0   | 0.0             |
| 4.4 Multifamily residential properties.....  | 0                         | 0.0             | 0   | 0.0             |
| 4.5 Commercial loans.....  | 3,820,127                 | 0.0             | 3,820,127   | 0.0             |
| 4.6 Mezzanine real estate loans.....   | 0                         | 0.0             | 0   | 0.0             |
| 5. Real estate investments:  |                           |                 |   |                 |
| 5.1 Property occupied by company.....  | 0                         | 0.0             | 0   | 0.0             |
| 5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....                                      | 0                         | 0.0             | 0   | 0.0             |
| 5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....   | 0                         | 0.0             | 0   | 0.0             |
| 6. Contract loans.....   | 0                         | 0.0             | 0   | 0.0             |
| 7. Receivables for securities.....   | 0                         | 0.0             | 0   | 0.0             |
| 8. Cash, cash equivalents and short-term investments.....  | 557,028,931               | 4.1             | 557,028,931   | 4.1             |
| 9. Other invested assets.....  | 724,626,063               | 5.3             | 724,626,063   | 5.3             |
| 10. Total invested assets.....   | 13,747,124,943            | 100.0           | 13,747,124,943                                      | 100.0           |

**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: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 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). 01/27/2006
- 3.4 By what department or departments? Connecticut

- 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 a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]

- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Co. Code | 3<br>State of Domicile |
|---------------------|--------------------|------------------------|
|                     | 00000              |                        |

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]
- 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 location (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. 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?  
Wade T. Overgaard, F.C.A.S. & M.A.A.A. (Senior Vice President and Chief Corporate Actuary) The Travelers Companies, Inc.  
One Tower Square, Hartford, CT 06183

- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]
- 11.11 Name of real estate holding company \_\_\_\_\_
- 11.12 Number of parcels involved .....0
- 11.13 Total book/adjusted carrying value \$.....0
- 11.2 If yes, provide explanation. \_\_\_\_\_

**FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**

- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? \_\_\_\_\_
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

- 13.1 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  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.

13.11 If the response to 13.1 is No, please explain:

---

- 13.2 Has the code of ethics for senior managers been amended? Yes  No

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

---

- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

---

**BOARD OF DIRECTORS**

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes  No
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes  No
16. 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  No

**FINANCIAL**

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

- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers \$.....0
  - 18.12 To stockholders not officers \$.....0
  - 18.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers \$.....0
  - 18.22 To stockholders not officers \$.....0
  - 18.23 Trustees, supreme or grand (Fraternal only) \$.....0

- 19.1 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
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$.....0
  - 19.22 Borrowed from others \$.....0
  - 19.23 Leased from others \$.....0
  - 19.24 Other \$.....0

- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$.....0
  - 20.22 Amount paid as expenses \$.....0
  - 20.23 Other amounts paid \$.....0

- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....0

**INVESTMENT**

- 22.1 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? Yes  No
- 22.2 If no, give full and complete information relating thereto.
- 

- 23.1 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 19.1) Yes  No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Loaned to others \$.....129,536,752
  - 23.22 Subject to repurchase agreements \$.....0
  - 23.23 Subject to reverse repurchase agreements \$.....0
  - 23.24 Subject to dollar repurchase agreements \$.....0
  - 23.25 Subject to reverse dollar repurchase agreements \$.....0
  - 23.26 Pledged as collateral \$.....3,913,812
  - 23.27 Placed under option agreements \$.....0
  - 23.28 Letter stock or securities restricted as to sale \$.....0
  - 23.29 On deposit with state or other regulatory body \$.....549,622,485
  - 23.291 Other \$.....139,490,489

23.3 For category (23.28) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  | 0           |

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No
- 24.2 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.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

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

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

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

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address                     |
|---------------------------|--|
| JPMorgan Chase            | 3 Chase MetroTech Center, Brooklyn, NY 11245 |

26.02 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) |
|--------------------------|--|------------------------------|
| Citigroup Global Markets | 233 South Wacker Drive, Sears Tower, Chicago, IL 60606 | Future Account Agreements    |

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

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

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

26.05 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<br>Central Registration Depository Number(s) | 2<br>Name | 3<br>Address |
|--|-----------|--------------|
| N/A  |           |              |

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

27.2 If yes, complete the following schedule:

| 1<br>CUSIP #   | 2<br>Name of Mutual Fund | 3<br>Book/Adj. Carrying Value |
|----------------|--------------------------|-------------------------------|
|                |                          | 0                             |
| 27.2999. TOTAL |                          | 0                             |

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

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

28. 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<br>Statement<br>(Admitted)<br>Value | 2<br>Fair<br>Value | 3<br>Excess of Statement<br>over Fair Value (-),<br>or Fair Value over<br>Statement (+) |
|----------------------------|---------------------------------------|--------------------|---|
| 28.1 Bonds.....            | 10,050,278,760                        | 10,245,234,857     | 194,956,097   |
| 28.2 Preferred stocks..... | 105,108,850                           | 105,470,733        | 361,883   |
| 28.3 Totals.....           | 10,155,387,610                        | 10,350,705,590     | 195,317,980   |

28.4 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 Valuation of Securities. If this unit price is not available the fair value is based upon quoted market prices or dealer quotes, or, if quoted prices are not available, based on valuation determined, in good faith, by The Travelers Companies, Inc.

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]  
 29.2 If no, list exceptions:

### OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....7,318,293  
 30.2 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<br>Name                      | 2<br>Amount Paid |
|--------------------------------|------------------|
| Insurance Services Office, Inc | 2,921,897        |

31.1 Amount of payments for legal expenses, if any? \$.....20,099,775  
 31.2 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<br>Name                    | 2<br>Amount Paid |
|------------------------------|------------------|
| Simpson, Thatcher & Bartlett | 6,957,874        |

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....416,508  
 32.2 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<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | 0                |



**GENERAL INTERROGATORIES (continued)**

**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<br>Current Year    | 2<br>Prior Year      |
|----------------------------------|----------------------|----------------------|
| 2.1 Premium Numerator.....       | \$.....0             | \$.....0             |
| 2.2 Premium Denominator.....     | \$.....3,640,310,526 | \$.....3,476,689,412 |
| 2.3 Premium Ratio (2.1/2.2)..... | .....0.0             | .....0.0             |
| 2.4 Reserve Numerator.....       | \$.....0             | \$.....0             |
| 2.5 Reserve Denominator.....     | \$.....9,349,779,480 | \$.....9,265,823,887 |
| 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 \$.....34,013,935
- 3.22 Non-participating policies \$.....3,634,898,940

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 quarterly 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 Risk Link, a product developed by Risk Management Solutions, Inc., to estimate its Probable Maximum Loss (PML). Property exposures are modeled using Risk Link 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. Conventional attack PML's are examined for combined property and workers' compensation exposures to be contained inside 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 property insurance loss?

The Company purchases both excess of loss and pro rata 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 (continued)

## 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 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [ X ]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes [ ] No [ X ]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [ X ]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ X ] No [ ]
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 13.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$.....18,750,725
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....4,687,681
- 12.2 Of the amount on Line 13.3, Page 2, state the amount which is secured by letters of credit, collateral and other funds: \$.....17,910,184
- 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 \$.....1,285,967,882
- 12.62 Collateral and other funds \$.....210,566,471

**GENERAL INTERROGATORIES (continued)**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....3,481,560
- 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 this amount. ....1
- 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 financial 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|-----------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home.....       | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |
| 16.12 Products.....   | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |
| 16.13 Automobile..... | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |
| 16.14 Other*.....     | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |

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

- 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

# TRAVELERS CASUALTY AND SURETY COMPANY

## FIVE-YEAR HISTORICAL DATA

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

|   | 1<br>2007      | 2<br>2006      | 3<br>2005      | 4<br>2004      | 5<br>2003      |
|---|----------------|----------------|----------------|----------------|----------------|
| <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, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....   | 1,989,784,546  | 1,819,812,897  | 1,883,579,128  | 1,621,953,028  | 1,536,175,493  |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 742,184,747    | 678,324,543    | 588,888,357    | 760,025,971    | 725,422,027    |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 1,285,601,462  | 1,318,762,835  | 1,003,522,692  | 1,641,777,407  | 1,418,999,065  |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....  | 74,924,981     | 62,050,692     | 132,847,026    | 30,776,936     | 38,709,702     |
| 5. Non-proportional reinsurance lines (Lines 30, 31 & 32).....  | 12,146,935     | 7,052,754      | 13,328,216     | 5,235,935      | 26,606,175     |
| 6. Total (Line 34).....   | 4,104,642,671  | 3,886,003,722  | 3,622,165,419  | 4,059,769,277  | 3,745,912,461  |
| <b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>   |                |                |                |                |                |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....   | 1,707,386,018  | 1,577,020,674  | 1,687,251,621  | 1,441,706,330  | 1,349,726,158  |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 720,673,689    | 666,763,560    | 575,944,991    | 746,808,176    | 714,364,402    |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 1,218,228,105  | 1,257,363,011  | 945,129,724    | 1,591,489,656  | 1,382,740,154  |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 10,487,489     | 22,676,546     | 105,479,857    | 1,117,664      | 560,503        |
| 11. Non-proportional reinsurance lines (Lines 30, 31 & 32).....   | 12,137,573     | 7,015,852      | 13,276,367     | 5,143,432      | 26,517,458     |
| 12. Total (Line 34).....  | 3,668,912,875  | 3,530,839,643  | 3,327,082,559  | 3,786,265,258  | 3,473,908,676  |
| <b>Statement of Income (Page 4)</b>   |                |                |                |                |                |
| 13. Net underwriting gain (loss) (Line 8).....  | 353,906,569    | 402,776,618    | (127,242,276)  | 308,115,311    | 211,000,187    |
| 14. Net investment gain (loss) (Line 11).....   | 942,744,108    | 484,109,879    | 982,608,935    | 748,635,414    | 559,511,174    |
| 15. Total other income (Line 15).....   | (14,857,245)   | (24,176,337)   | (33,240,761)   | (31,156,264)   | (37,856,114)   |
| 16. Dividends to policyholders (Line 17).....   | 4,736,960      | 3,214,144      | 3,245,718      | (6,179,666)    | 1,810,725      |
| 17. Federal and foreign income taxes incurred (Line 19).....  | 136,414,584    | 192,392,176    | 38,686,140     | 253,834,292    | 52,892,003     |
| 18. Net income (Line 20).....   | 1,140,641,889  | 667,103,839    | 780,194,040    | 777,939,836    | 677,952,519    |
| <b>Balance Sheet Lines (Pages 2 and 3)</b>  |                |                |                |                |                |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3).....  | 15,376,976,596 | 14,358,336,770 | 13,886,611,930 | 13,576,189,533 | 12,809,640,338 |
| 20. Premiums and considerations (Page 2, Col. 3):   |                |                |                |                |                |
| 20.1 In course of collection (Line 13.1).....   | 209,121,762    | 207,125,818    | 200,546,493    | 237,365,053    | 194,857,134    |
| 20.2 Deferred and not yet due (Line 13.2).....  | 805,722,014    | 800,844,474    | 777,767,098    | 886,770,703    | 882,927,392    |
| 20.3 Accrued retrospective premiums (Line 13.3).....  | 46,243,774     | 26,827,363     | 40,087,247     | 75,698,426     | 70,188,304     |
| 21. Total liabilities excluding protected cell business (Page 3, Line 24).....  | 9,968,392,334  | 9,900,242,744  | 10,180,013,982 | 10,232,679,669 | 9,763,807,463  |
| 22. Losses (Page 3, Line 1).....  | 6,328,790,254  | 6,263,010,745  | 6,477,340,134  | 6,046,905,725  | 5,825,363,984  |
| 23. Loss adjustment expenses (Page 3, Line 3).....  | 1,380,789,686  | 1,392,834,379  | 1,415,248,260  | 1,328,036,286  | 1,250,541,390  |
| 24. Unearned premiums (Page 3, Line 9).....   | 1,638,997,664  | 1,609,304,822  | 1,566,386,305  | 1,730,276,309  | 1,590,705,748  |
| 25. Capital paid up (Page 3, Lines 28 & 29).....  | 25,000,000     | 25,000,000     | 25,000,000     | 25,000,000     | 25,000,000     |
| 26. Surplus as regards policyholders (Page 3, Line 35).....   | 5,408,584,262  | 4,458,094,025  | 3,706,597,948  | 3,343,509,864  | 3,045,832,875  |
| <b>Cash Flow (Page 5)</b>   |                |                |                |                |                |
| 27. Net cash from operations (Line 11).....   | 1,288,927,121  | 724,730,238    | 1,076,355,285  | 1,264,463,307  | 1,008,837,457  |
| <b>Risk-Based Capital Analysis</b>  |                |                |                |                |                |
| 28. Total adjusted capital.....   | 5,408,584,262  | 4,458,094,025  | 3,706,597,948  | 3,343,509,864  | 3,045,832,875  |
| 29. Authorized control level risk-based capital.....  | 1,003,561,171  | 962,410,457    | 944,429,362    | 803,090,516    | 730,069,259    |
| <b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b><br>(Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0                          |                |                |                |                |                |
| 30. Bonds (Line 1).....   | 69.0           | 70.7           | 72.4           | 72.3           | 72.8           |
| 31. Stocks (Lines 2.1 & 2.2).....   | 21.6           | 21.8           | 20.4           | 21.6           | 22.3           |
| 32. Mortgage loans on real estate (Lines 3.1 & 3.2).....  | 0.0            | 0.1            | 0.1            | 0.3            | 0.5            |
| 33. Real estate (Lines 4.1, 4.2 & 4.3).....   | 0.0            | 0.1            | 0.1            | 0.0            | 0.0            |
| 34. Cash, cash equivalents and short-term investments (Line 5).....   | 4.1            | 3.4            | 1.9            | 3.8            | 2.3            |
| 35. Contract loans (Line 6).....  | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| 36. Other invested assets (Line 7).....   | 5.3            | 4.0            | 1.6            | 1.7            | 2.0            |
| 37. Receivable for securities (Line 8).....   | 0.0            | 0.0            | 3.5            | 0.3            | 0.1            |
| 38. Aggregate write-ins for invested assets (Line 9).....   | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| 39. Cash, cash equivalents and invested assets (Line 10).....   | 100.0          | 100.0          | 100.0          | 100.0          | 100.0          |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>   |                |                |                |                |                |
| 40. Affiliated bonds (Sch. D, Summary, Line 25, Col. 1).....  | 0              | 0              | 0              | 0              | 0              |
| 41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1).....   | 0              | 0              | 0              | 0              | 0              |
| 42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1).....  | 2,876,822,056  | 2,689,904,865  | 2,348,191,218  | 2,376,473,214  | 2,250,706,063  |
| 43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7).....  | 0              | 0              | 0              | 0              | 0              |
| 44. Affiliated mortgage loans on real estate.....   | 0              | 0              | 0              | 0              | 0              |
| 45. All other affiliated.....   | 126,036,329    | 56,448,177     | 59,136,577     | 71,720,937     | 59,211,976     |
| 46. Total of above lines 40 to 45.....  | 3,002,858,385  | 2,746,353,042  | 2,407,327,795  | 2,448,194,151  | 2,309,918,039  |
| 47. Percentage of investments in parent, subsidiaries and affiliates to surplus<br>as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)..... | 55.5           | 61.6           | 64.9           | 73.6           | 75.8           |

# TRAVELERS CASUALTY AND SURETY COMPANY

## FIVE-YEAR HISTORICAL DATA

(Continued)

|   | 1             | 2             | 3             | 4             | 5             |
|---|---------------|---------------|---------------|---------------|---------------|
|   | 2007          | 2006          | 2005          | 2004          | 2003          |
| <b>Capital and Surplus Accounts (Page 4)</b>  |               |               |               |               |               |
| 48. Net unrealized capital gains (losses) (Line 24).....  | 292,737,658   | 552,093,542   | (142,469,624) | 123,629,139   | 342,432,189   |
| 49. Dividends to stockholders (Line 35).....  | (597,000,000) | (500,000,000) | (300,000,000) | (677,000,000) | (457,000,000) |
| 50. Change in surplus as regards policyholders for the year (Line 38).....  | 950,490,237   | 751,496,077   | 363,088,084   | 297,676,990   | 473,086,445   |
| <b>Gross Losses Paid (Page 9, Part 2, Cols. 1&amp;2)</b>  |               |               |               |               |               |
| 51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....  | 983,549,553   | 1,205,141,322 | 1,344,165,110 | 1,366,351,752 | 1,418,656,545 |
| 52. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 308,777,800   | 313,177,984   | 264,106,167   | 286,507,285   | 291,634,288   |
| 53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 491,659,617   | 564,909,146   | 754,579,427   | 589,991,026   | 567,291,195   |
| 54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 34,842,091    | 27,449,675    | (88,072,942)  | 22,317,459    | 54,046,738    |
| 55. Nonproportional reinsurance lines (Lines 30, 31 & 32).....  | 101,045,937   | 69,461,229    | (133,011,962) | 57,001,749    | 40,049,260    |
| 56. Total (Line 34).....  | 1,919,874,997 | 2,180,139,356 | 2,141,765,800 | 2,322,169,271 | 2,371,678,026 |
| <b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>   |               |               |               |               |               |
| 57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....  | 743,540,606   | 874,209,750   | 964,143,123   | 794,658,555   | 917,364,939   |
| 58. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 308,126,408   | 307,279,444   | 258,106,360   | 279,401,459   | 291,702,027   |
| 59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 467,743,137   | 536,705,276   | 717,476,977   | 539,492,470   | 544,891,722   |
| 60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 37,478,475    | 38,250,936    | (102,125,132) | 1,663,776     | 975,735       |
| 61. Nonproportional reinsurance lines (Lines 30, 31 & 32).....  | 83,101,018    | 61,282,567    | (143,530,174) | 50,662,643    | 39,322,645    |
| 62. Total (Line 34).....  | 1,639,989,644 | 1,817,727,973 | 1,694,071,154 | 1,665,878,904 | 1,794,257,069 |
| <b>Operating Percentages</b><br>(Page 4) (Item divided by Page 4, Line 1) x 100.0   |               |               |               |               |               |
| 63. Premiums earned (Line 1).....   | 100.0         | 100.0         | 100.0         | 100.0         | 100.0         |
| 64. Losses incurred (Line 2).....   | 46.9          | 46.1          | 61.4          | 51.8          | 57.6          |
| 65. Loss expenses incurred (Line 3).....  | 12.1          | 12.2          | 13.7          | 11.9          | 9.1           |
| 66. Other underwriting expenses incurred (Line 4).....  | 31.3          | 30.1          | 28.6          | 27.9          | 26.8          |
| 67. Net underwriting gain (loss) (Line 8).....  | 9.7           | 11.6          | (3.7)         | 8.5           | 6.5           |
| <b>Other Percentages</b>  |               |               |               |               |               |
| 68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15<br>divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0).....  | 31.5          | 30.3          | 30.7          | 27.7          | 26.2          |
| 69. Losses and loss expenses incurred to premiums earned<br>(Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....  | 58.9          | 58.4          | 75.1          | 63.6          | 66.7          |
| 70. Net premiums written to policyholders' surplus (Page 8, Part 1B,<br>Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0).....   | 67.8          | 79.2          | 89.8          | 113.2         | 114.1         |
| <b>One Year Loss Development (000 omitted)</b>  |               |               |               |               |               |
| 71. Development in estimated losses and loss expenses incurred prior<br>to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....   | (119,401)     | (81,508)      | 110,977       | (57,186)      | (86,233)      |
| 72. Percent of development of losses and loss expenses incurred to policyholders' surplus of<br>prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100).....                      | (2.7)         | (2.2)         | 3.3           | (1.9)         | (3.4)         |
| <b>Two Year Loss Development (000 omitted)</b>  |               |               |               |               |               |
| 73. Development in estimated losses and loss expenses incurred 2 years before the<br>current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....                              | (144,266)     | 227,252       | 799,355       | 68,878        | 1,033,130     |
| 74. Percent of development of losses and loss expenses incurred to<br>reported policyholders' surplus of second prior year end<br>(Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)..... | (3.9)         | 6.8           | 26.2          | 2.7           | 34.5          |

## SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

| Description                            | 1<br>Book/Adjusted<br>Carrying Value | 2<br>Fair Value       | 3<br>Actual Cost      | 4<br>Par Value<br>of Bonds |
|--|--------------------------------------|-----------------------|-----------------------|----------------------------|
| <b>BONDS</b>                           |                                      |                       |                       |                            |
| 1. United States.....                  | 283,020,076                          | 293,326,314           | 282,411,771           | 285,650,703                |
| 2. Canada.....                         | 0                                    | 0                     | 0                     | 0                          |
| 3. Other Countries.....                | 7,361,108                            | 7,602,048             | 7,363,388             | 7,366,000                  |
| 4. Totals.....                         | 290,381,184                          | 300,928,362           | 289,775,159           | 293,016,703                |
| 5. United States.....                  | 1,471,350,639                        | 1,503,348,026         | 1,509,866,249         | 1,413,430,000              |
| 6. Canada.....                         | 2,989,710                            | 3,070,160             | 2,988,420             | 3,000,000                  |
| 7. Other Countries.....                | 0                                    | 0                     | 0                     | 0                          |
| 8. Totals.....                         | 1,474,340,349                        | 1,506,418,186         | 1,512,854,669         | 1,416,430,000              |
| 9. United States.....                  | 2,018,193,675                        | 2,057,161,225         | 2,039,970,255         | 1,941,165,600              |
| 10. Canada.....                        | 0                                    | 0                     | 0                     | 0                          |
| 11. Other Countries.....               | 0                                    | 0                     | 0                     | 0                          |
| 12. Totals.....                        | 2,018,193,675                        | 2,057,161,225         | 2,039,970,255         | 1,941,165,600              |
| 13. United States.....                 | 4,163,791,021                        | 4,262,797,951         | 4,220,256,186         | 4,124,895,867              |
| 14. Canada.....                        | 0                                    | 0                     | 0                     | 0                          |
| 15. Other Countries.....               | 0                                    | 0                     | 0                     | 0                          |
| 16. Totals.....                        | 4,163,791,021                        | 4,262,797,951         | 4,220,256,186         | 4,124,895,867              |
| 17. United States.....                 | 175,003,306                          | 181,064,181           | 175,862,613           | 173,555,034                |
| 18. Canada.....                        | 2,240,108                            | 2,916,958             | 2,243,986             | 10,277,785                 |
| 19. Other Countries.....               | 17,843,443                           | 17,813,700            | 17,026,775            | 18,000,000                 |
| 20. Totals.....                        | 195,086,857                          | 201,794,840           | 195,133,374           | 201,832,818                |
| 21. United States.....                 | 1,243,995,588                        | 1,251,197,556         | 1,252,794,490         | 1,266,355,355              |
| 22. Canada.....                        | 28,744,860                           | 29,100,270            | 28,870,291            | 28,610,000                 |
| 23. Other Countries.....               | 77,240,388                           | 77,331,629            | 77,776,991            | 78,316,572                 |
| 24. Totals.....                        | 1,349,980,836                        | 1,357,629,455         | 1,359,441,771         | 1,373,281,927              |
| 25. Totals.....                        | 0                                    | 0                     | 0                     | 0                          |
| 26. <b>Total Bonds.....</b>            | <b>9,491,773,921</b>                 | <b>9,686,730,018</b>  | <b>9,617,431,413</b>  | <b>9,350,622,915</b>       |
| <b>PREFERRED STOCKS</b>                |                                      |                       |                       |                            |
| 27. United States.....                 | 9,823,713                            | 9,823,713             | 9,880,780             |                            |
| 28. Canada.....                        | 0                                    | 0                     | 0                     |                            |
| 29. Other Countries.....               | 0                                    | 0                     | 0                     |                            |
| 30. Totals.....                        | 9,823,713                            | 9,823,713             | 9,880,780             |                            |
| 31. United States.....                 | 32,882,330                           | 32,882,330            | 33,000,000            |                            |
| 32. Canada.....                        | 0                                    | 0                     | 0                     |                            |
| 33. Other Countries.....               | 8,987,000                            | 8,987,000             | 9,164,252             |                            |
| 34. Totals.....                        | 41,869,330                           | 41,869,330            | 42,164,252            |                            |
| 35. United States.....                 | 18,949,673                           | 19,311,556            | 19,020,437            |                            |
| 36. Canada.....                        | 0                                    | 0                     | 0                     |                            |
| 37. Other Countries.....               | 34,466,135                           | 34,466,135            | 31,162,500            |                            |
| 38. Totals.....                        | 53,415,808                           | 53,777,691            | 50,182,937            |                            |
| 39. Totals.....                        | 0                                    | 0                     | 0                     |                            |
| 40. <b>Total Preferred Stocks.....</b> | <b>105,108,850</b>                   | <b>105,470,733</b>    | <b>102,227,968</b>    |                            |
| <b>COMMON STOCKS</b>                   |                                      |                       |                       |                            |
| 41. United States.....                 | 0                                    | 0                     | 0                     |                            |
| 42. Canada.....                        | 0                                    | 0                     | 0                     |                            |
| 43. Other Countries.....               | 0                                    | 0                     | 0                     |                            |
| 44. Totals.....                        | 0                                    | 0                     | 0                     |                            |
| 45. United States.....                 | 0                                    | 0                     | 0                     |                            |
| 46. Canada.....                        | 0                                    | 0                     | 0                     |                            |
| 47. Other Countries.....               | 0                                    | 0                     | 0                     |                            |
| 48. Totals.....                        | 0                                    | 0                     | 0                     |                            |
| 49. United States.....                 | 2                                    | 2                     | 457                   |                            |
| 50. Canada.....                        | 0                                    | 0                     | 0                     |                            |
| 51. Other Countries.....               | 0                                    | 0                     | 1,796                 |                            |
| 52. Totals.....                        | 2                                    | 2                     | 2,254                 |                            |
| 53. Totals.....                        | 2,876,822,056                        | 2,876,822,056         | 1,223,271,767         |                            |
| 54. <b>Total Common Stocks.....</b>    | <b>2,876,822,058</b>                 | <b>2,876,822,058</b>  | <b>1,223,274,021</b>  |                            |
| 55. <b>Total Stocks.....</b>           | <b>2,981,930,908</b>                 | <b>2,982,292,791</b>  | <b>1,325,501,989</b>  |                            |
| 56. <b>Total Bonds and Stocks....</b>  | <b>12,473,704,829</b>                | <b>12,669,022,809</b> | <b>10,942,933,402</b> |                            |

## SCHEDULE D - VERIFICATION BETWEEN YEARS

## Bonds and Stocks

|  |                |   |                |
|--|----------------|---|----------------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year.....           | 11,899,443,057 | 7. Amortization of premium.....                               | 41,590,530     |
| 2. Cost of bonds and stocks acquired, Column 7, Part 3.....                    | 2,226,527,961  | 8. Foreign exchange adjustment:                               |                |
| 3. Accrual of discount.....  | 5,424,780      | 8.1 Column 15, Part 1.....                                    | 0              |
| 4. Increase (decrease) by adjustment:  |                | 8.2 Column 19, Part 2, Section 1.....                         | 0              |
| 4.1 Columns 12 - 14, Part 1.....   | (10,016,358)   | 8.3 Column 16, Part 2, Section 2.....                         | 37             |
| 4.2 Columns 15 - 17, Part 2, Section 1.....                                    | (291,388)      | 8.4 Column 15, Part 4.....                                    | 0              |
| 4.3 Column 15, Part 2, Section 2.....  | 209,416,927    | 9. Book/adjusted carrying value at end of current period..... | 12,473,704,829 |
| 4.4 Columns 11 - 13, Part 4.....   | (1,221,155)    | 10. Total valuation allowance.....                            | 0              |
| 5. Total gain (loss), Column 19, Part 4.....                                   | 2,232,977      | 11. Subtotal (Lines 9 plus 10).....                           | 12,473,704,829 |
| 6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4.... | 1,816,221,478  | 12. Total nonadmitted amounts.....                            | 12,055,007     |
|  |                | 13. Statement value of bonds and stocks, current year.....    | 12,461,649,822 |

**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 |            |                                       |            |                              |            | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | 12<br>Number of Claims Reported-Direct and Assumed |
|--|-------------------------|------------|------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded | 3<br>Net (Cols. 1 - 2) | Loss Payments                  |            | Defense and Cost Containment Payments |            | Adjusting and Other Payments |            |  |  |  |
|  |                         |            |                        | 4<br>Direct and Assumed        | 5<br>Ceded | 6<br>Direct and Assumed               | 7<br>Ceded | 8<br>Direct and Assumed      | 9<br>Ceded |  |  |  |
| 1. Prior.....  | XXX.....                | XXX.....   | XXX.....               | 188,809                        | 67,484     | 58,091                                | 5,404      | 33,721                       | 807        | 2,251                                  | 206,925  | XXX.....   |
| 2. 1998.....   | 3,272,403               | 642,451    | 2,629,951              | 2,403,984                      | 506,982    | 240,957                               | 37,380     | 170,533                      | 11,680     | 67,982                                 | 2,259,432  | XXX.....   |
| 3. 1999.....   | 3,161,382               | 596,537    | 2,564,844              | 2,473,713                      | 628,107    | 260,844                               | 47,387     | 127,271                      | 10,323     | 73,015                                 | 2,176,011  | XXX.....   |
| 4. 2000.....   | 3,355,588               | 804,367    | 2,551,221              | 2,417,222                      | 677,018    | 274,641                               | 52,118     | 121,998                      | 9,872      | 81,680                                 | 2,074,854  | XXX.....   |
| 5. 2001.....   | 3,579,787               | 707,251    | 2,872,536              | 2,784,032                      | 860,710    | 267,351                               | 63,529     | 141,523                      | 15,753     | 70,418                                 | 2,252,913  | XXX.....   |
| 6. 2002.....   | 3,889,128               | 787,802    | 3,101,326              | 1,865,742                      | 404,407    | 220,611                               | 34,088     | 120,153                      | 12,407     | 66,774                                 | 1,755,604  | XXX.....   |
| 7. 2003.....   | 4,239,059               | 863,660    | 3,375,399              | 1,726,014                      | 273,513    | 180,362                               | 27,695     | 117,403                      | 11,896     | 62,200                                 | 1,710,675  | XXX.....   |
| 8. 2004.....   | 4,261,046               | 751,359    | 3,509,687              | 1,550,543                      | 258,723    | 131,504                               | 16,527     | 131,184                      | 12,309     | 60,388                                 | 1,525,672  | XXX.....   |
| 9. 2005.....   | 4,111,193               | 634,827    | 3,476,366              | 1,680,633                      | 453,495    | 90,340                                | 12,902     | 132,645                      | 8,877      | 51,640                                 | 1,428,343  | XXX.....   |
| 10. 2006.....  | 4,048,828               | 542,577    | 3,506,251              | 1,023,658                      | 109,929    | 49,995                                | 4,975      | 142,343                      | 4,608      | 50,195                                 | 1,096,485  | XXX.....   |
| 11. 2007.....  | 4,111,910               | 471,599    | 3,640,311              | 691,796                        | 39,562     | 22,861                                | 1,694      | 130,421                      | 2,710      | 33,387                                 | 801,111  | XXX.....   |
| 12. Totals.....  | XXX.....                | XXX.....   | XXX.....               | 18,806,145                     | 4,279,931  | 1,797,558                             | 303,700    | 1,369,196                    | 101,242    | 619,929                                | 17,288,026   | XXX.....   |

|                 | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Unpaid |             | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding-Direct and Assumed |
|-----------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
|                 | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21<br>Direct and Assumed   | 22<br>Ceded |   |  |   |
|                 | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded |                            |             |   |  |   |
| 1. Prior.....   | 1,156,667                | 390,379     | 1,316,863                | 237,200     | 129,492                             | 19,398      | 217,549                  | 16,433      | 131,694                    | 7,040       | 1,565                                     | 2,281,816                                  | XXX.....  |
| 2. 1998.....    | 94,537                   | 30,855      | 67,328                   | 7,364       | 7,038                               | 2,219       | 12,326                   | 688         | 4,539                      | 223         | 845                                       | 144,420                                    | XXX.....  |
| 3. 1999.....    | 135,849                  | 46,779      | 111,008                  | 29,418      | 13,252                              | 5,397       | 11,777                   | 2,408       | 7,670                      | 435         | 1,123                                     | 195,121                                    | XXX.....  |
| 4. 2000.....    | 208,598                  | 61,451      | 173,642                  | 53,406      | 15,717                              | 4,804       | 15,075                   | 5,169       | 8,334                      | 1,346       | 1,967                                     | 295,190                                    | XXX.....  |
| 5. 2001.....    | 254,300                  | 80,908      | 202,053                  | 79,079      | 26,828                              | 10,990      | 28,096                   | 9,581       | 21,385                     | 704         | 5,187                                     | 351,401                                    | XXX.....  |
| 6. 2002.....    | 207,982                  | 59,637      | 211,631                  | 64,692      | 21,856                              | 3,626       | 33,529                   | 10,531      | 15,966                     | 626         | 7,079                                     | 351,852                                    | XXX.....  |
| 7. 2003.....    | 241,011                  | 57,863      | 231,927                  | 78,078      | 26,156                              | 3,446       | 59,696                   | 16,410      | 33,357                     | 949         | 14,135                                    | 435,402                                    | XXX.....  |
| 8. 2004.....    | 271,872                  | 68,761      | 308,971                  | 77,767      | 29,176                              | 3,215       | 75,739                   | 10,421      | 24,046                     | 173         | 19,171                                    | 549,467                                    | XXX.....  |
| 9. 2005.....    | 289,598                  | 72,580      | 572,091                  | 151,709     | 34,249                              | 3,850       | 87,598                   | 12,936      | 28,870                     | 684         | 26,743                                    | 770,648                                    | XXX.....  |
| 10. 2006.....   | 338,885                  | 59,335      | 619,738                  | 121,311     | 35,001                              | 2,826       | 110,182                  | 16,037      | 35,899                     | 1,816       | 30,693                                    | 938,379                                    | XXX.....  |
| 11. 2007.....   | 468,270                  | 58,455      | 882,470                  | 149,476     | 36,157                              | 2,715       | 141,237                  | 9,244       | 87,470                     | (172)       | 55,543                                    | 1,395,885                                  | XXX.....  |
| 12. Totals..... | 3,667,571                | 987,003     | 4,697,722                | 1,049,500   | 374,922                             | 62,484      | 792,805                  | 109,859     | 399,231                    | 13,825      | 164,049                                   | 7,709,580                                  | XXX.....  |

|            | Total Losses and Loss Expenses Incurred |             |           | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves after Discount |                            |
|------------|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|            | 26<br>Direct and Assumed                | 27<br>Ceded | 28<br>Net | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
| 1. Prior.. | XXX.....                                | XXX.....    | XXX.....  | XXX.....  | XXX.....    | XXX.....  | 0                   | 0                  | XXX.....   | 1,845,951                                 | 435,865                    |
| 2. 1998.   | 3,001,242                               | 597,390     | 2,403,852 | 91.7  | 93.0        | 91.4      | 0                   | 0                  | 20.36  | 123,646                                   | 20,773                     |
| 3. 1999.   | 3,141,385                               | 770,253     | 2,371,132 | 99.4  | 129.1       | 92.4      | 0                   | 0                  | 20.36  | 170,661                                   | 24,460                     |
| 4. 2000.   | 3,235,226                               | 865,183     | 2,370,044 | 96.4  | 107.6       | 92.9      | 0                   | 0                  | 20.36  | 267,384                                   | 27,806                     |
| 5. 2001.   | 3,725,569                               | 1,121,255   | 2,604,314 | 104.1   | 158.5       | 90.7      | 0                   | 0                  | 20.36  | 296,367                                   | 55,034                     |
| 6. 2002.   | 2,697,471                               | 590,016     | 2,107,456 | 69.4  | 74.9        | 68.0      | 0                   | 0                  | 20.36  | 295,284                                   | 56,568                     |
| 7. 2003.   | 2,615,927                               | 469,850     | 2,146,077 | 61.7  | 54.4        | 63.6      | 0                   | 0                  | 20.36  | 336,998                                   | 98,404                     |
| 8. 2004.   | 2,523,036                               | 447,897     | 2,075,139 | 59.2  | 59.6        | 59.1      | 0                   | 0                  | 20.36  | 434,315                                   | 115,152                    |
| 9. 2005.   | 2,916,024                               | 717,033     | 2,198,991 | 70.9  | 112.9       | 63.3      | 0                   | 0                  | 20.36  | 637,400                                   | 133,248                    |
| 10. 2006.  | 2,355,700                               | 320,836     | 2,034,864 | 58.2  | 59.1        | 58.0      | 0                   | 0                  | 20.36  | 777,977                                   | 160,402                    |
| 11. 2007.  | 2,460,681                               | 263,685     | 2,196,996 | 59.8  | 55.9        | 60.4      | 0                   | 0                  | 20.36  | 1,142,809                                 | 253,077                    |
| 12. Totals | XXX.....                                | XXX.....    | XXX.....  | XXX.....  | XXX.....    | XXX.....  | 0                   | 0                  | XXX.....   | 6,328,790                                 | 1,380,790                  |

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        |
|                                     | 1998   | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | One Year    | Two Year  |
| 1. Prior.....                       | 5,435,506  | 5,306,307 | 5,140,957 | 5,054,576 | 5,645,778 | 5,696,824 | 5,987,587 | 6,228,027 | 6,310,783 | 6,387,869 | 77,086      | 159,842   |
| 2. 1998.....                        | 2,024,501  | 2,025,125 | 2,065,461 | 2,119,822 | 2,158,390 | 2,181,691 | 2,207,149 | 2,223,439 | 2,233,976 | 2,244,208 | 10,232      | 20,769    |
| 3. 1999.....                        | XXX  | 1,880,368 | 1,925,278 | 2,014,103 | 2,096,408 | 2,171,574 | 2,217,618 | 2,223,979 | 2,248,510 | 2,250,364 | 1,855       | 26,385    |
| 4. 2000.....                        | XXX  | XXX       | 1,833,464 | 1,907,033 | 1,974,050 | 2,094,523 | 2,208,323 | 2,233,321 | 2,263,522 | 2,255,581 | (7,941)     | 22,260    |
| 5. 2001.....                        | XXX  | XXX       | XXX       | 2,301,763 | 2,317,603 | 2,415,665 | 2,468,655 | 2,446,781 | 2,478,331 | 2,463,348 | (14,983)    | 16,566    |
| 6. 2002.....                        | XXX  | XXX       | XXX       | XXX       | 2,063,126 | 1,887,684 | 1,955,173 | 1,992,038 | 2,006,148 | 1,993,947 | (12,200)    | 1,909     |
| 7. 2003.....                        | XXX  | XXX       | XXX       | XXX       | XXX       | 2,077,026 | 1,972,272 | 2,013,255 | 2,008,955 | 2,020,807 | 11,852      | 7,552     |
| 8. 2004.....                        | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | 2,287,148 | 2,084,061 | 1,997,854 | 1,945,230 | (52,624)    | (138,831) |
| 9. 2005.....                        | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 2,318,459 | 2,128,020 | 2,057,741 | (70,280)    | (260,719) |
| 10. 2006.....                       | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 1,937,818 | 1,875,420 | (62,398)    | XXX       |
| 11. 2007.....                       | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 1,996,199 | XXX         | XXX       |
| 12. Totals.....                     |  |           |           |           |           |           |           |           |           |           | (119,401)   | (144,266) |

### 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 |
|                                     | 1998  | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      |   |  |
| 1. Prior.....                       | 000   | 944,106   | 1,669,805 | 2,238,251 | 2,731,125 | 3,246,087 | 3,497,840 | 3,749,051 | 3,968,842 | 4,142,853 | XXX                                       | XXX  |
| 2. 1998.....                        | 675,071   | 1,103,673 | 1,422,082 | 1,647,314 | 1,814,366 | 1,929,137 | 1,993,886 | 2,029,911 | 2,068,829 | 2,100,579 | XXX                                       | XXX  |
| 3. 1999.....                        | XXX   | 659,719   | 1,124,379 | 1,458,536 | 1,722,579 | 1,851,171 | 1,925,858 | 1,989,666 | 2,029,571 | 2,059,063 | XXX                                       | XXX  |
| 4. 2000.....                        | XXX   | XXX       | 633,243   | 1,091,315 | 1,416,950 | 1,653,479 | 1,730,447 | 1,832,372 | 1,903,735 | 1,962,727 | XXX                                       | XXX  |
| 5. 2001.....                        | XXX   | XXX       | XXX       | 674,857   | 1,222,588 | 1,566,864 | 1,806,256 | 1,979,199 | 2,069,751 | 2,127,144 | XXX                                       | XXX  |
| 6. 2002.....                        | XXX   | XXX       | XXX       | XXX       | 576,978   | 974,306   | 1,217,302 | 1,418,257 | 1,560,115 | 1,647,858 | XXX                                       | XXX  |
| 7. 2003.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | 600,390   | 1,032,865 | 1,312,299 | 1,477,780 | 1,605,168 | XXX                                       | XXX  |
| 8. 2004.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | 603,836   | 1,038,956 | 1,249,401 | 1,406,797 | XXX                                       | XXX  |
| 9. 2005.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 645,581   | 1,120,055 | 1,304,576 | XXX                                       | XXX  |
| 10. 2006.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 618,804   | 958,749   | XXX                                       | XXX  |
| 11. 2007.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 673,400   | 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        |
|                                     | 1998  | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      |
| 1. Prior.....                       | 2,963,081   | 2,348,552 | 1,855,716 | 1,468,255 | 1,612,699 | 1,292,833 | 1,352,840 | 1,409,313 | 1,329,448 | 1,288,757 |
| 2. 1998.....                        | 804,122   | 442,262   | 261,834   | 185,327   | 131,035   | 101,825   | 95,772    | 93,050    | 77,379    | 72,865    |
| 3. 1999.....                        | XXX   | 709,304   | 316,493   | 147,063   | 60,769    | 140,370   | 115,688   | 82,034    | 96,361    | 92,451    |
| 4. 2000.....                        | XXX   | XXX       | 699,445   | 350,948   | 163,323   | 200,573   | 227,849   | 158,100   | 162,973   | 132,083   |
| 5. 2001.....                        | XXX   | XXX       | XXX       | 1,049,942 | 558,209   | 393,444   | 253,948   | 169,982   | 173,575   | 144,917   |
| 6. 2002.....                        | XXX   | XXX       | XXX       | XXX       | 1,023,129 | 472,398   | 336,714   | 251,258   | 204,581   | 176,773   |
| 7. 2003.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | 1,038,607 | 514,997   | 350,270   | 247,757   | 206,340   |
| 8. 2004.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | 1,225,713 | 664,324   | 433,485   | 306,795   |
| 9. 2005.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 1,066,762 | 663,419   | 504,891   |
| 10. 2006.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 909,760   | 603,871   |
| 11. 2007.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 879,046   |



**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

| States, Etc.                        | 1<br>Is Insurer Licensed?<br>(YES or NO) | Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges not Included in Premiums | 9<br>Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2) |
|-------------------------------------|--|---|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|                                     |  | 2<br>Direct Premiums Written  | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
| 1. Alabama.....AL                   | YES                                      | 1,338,582   | 2,337,968                   | 0   | 2,641,317                                   | 5,062,087                   | 59,555,885                | 1,159   | 0  |
| 2. Alaska.....AK                    | YES                                      | 785,615   | 888,501                     | 0   | 251,910                                     | (92,945)                    | 1,369,657                 | 110   | 0  |
| 3. Arizona.....AZ                   | YES                                      | 1,895,218   | 1,959,075                   | 0   | 995,132                                     | (1,588,916)                 | 14,132,600                | 1,074   | 0  |
| 4. Arkansas.....AR                  | YES                                      | 1,201,175   | 1,249,210                   | 0   | 821,050                                     | 1,105,102                   | 14,364,183                | 809   | 0  |
| 5. California.....CA                | YES                                      | 62,522,070  | 38,294,641                  | 2,014   | 10,988,080                                  | 18,327,469                  | 152,691,734               | 52,056  | 0  |
| 6. Colorado.....CO                  | YES                                      | 6,233,315   | 6,562,360                   | 0   | 1,785,644                                   | 757,483                     | 15,989,238                | 7,708   | 0  |
| 7. Connecticut.....CT               | YES                                      | 17,335,882  | 18,301,538                  | 23,486  | 20,570,247                                  | 3,880,082                   | 573,917,480               | 35,556  | 0  |
| 8. Delaware.....DE                  | YES                                      | 516,032   | 453,884                     | 0   | 6,910,067                                   | 24,394,996                  | 91,657,626                | 256   | 0  |
| 9. District of Columbia.....DC      | YES                                      | 8,365,381   | 5,895,100                   | 16,723  | 3,532,946                                   | 84,924                      | 22,344,292                | 4,623   | 0  |
| 10. Florida.....FL                  | YES                                      | 26,907,828  | 26,895,444                  | 29,037  | 13,081,027                                  | 14,664,787                  | 189,410,692               | 1,317   | 0  |
| 11. Georgia.....GA                  | YES                                      | 14,441,030  | 12,241,104                  | 0   | 5,896,076                                   | 8,036,596                   | 59,965,667                | 78,810  | 0  |
| 12. Hawaii.....HI                   | YES                                      | 526,576   | 468,272                     | 0   | 57,038                                      | 24,840                      | 3,854,719                 | 33  | 0  |
| 13. Idaho.....ID                    | YES                                      | 1,219,967   | 1,126,414                   | 0   | 425,501                                     | 514,434                     | 4,887,045                 | 1,613   | 0  |
| 14. Illinois.....IL                 | YES                                      | 6,395,791   | 10,870,565                  | 0   | 3,488,306                                   | (59,212)                    | 93,335,247                | 3,427   | 0  |
| 15. Indiana.....IN                  | YES                                      | 3,143,575   | 3,762,831                   | 0   | 1,361,224                                   | 611,203                     | 20,855,496                | 1,130   | 0  |
| 16. Iowa.....IA                     | YES                                      | 1,777,990   | 1,858,325                   | 216   | 1,090,098                                   | 2,555,259                   | 17,912,729                | 1,040   | 0  |
| 17. Kansas.....KS                   | YES                                      | 3,980,532   | 3,788,674                   | 0   | 2,724,612                                   | 5,112,723                   | 20,813,583                | 1,629   | 0  |
| 18. Kentucky.....KY                 | YES                                      | 2,306,739   | 1,238,128                   | 0   | 2,690,124                                   | 6,186,850                   | 40,740,867                | 1,309   | 0  |
| 19. Louisiana.....LA                | YES                                      | 2,035,967   | 3,446,631                   | 0   | 2,527,963                                   | (133,717)                   | 99,491,221                | 1,225   | 0  |
| 20. Maine.....ME                    | YES                                      | 1,000,520   | 1,260,945                   | 0   | 1,457,688                                   | 3,486,279                   | 23,087,371                | 855   | 0  |
| 21. Maryland.....MD                 | YES                                      | 5,138,230   | 7,200,771                   | 0   | 3,414,064                                   | (376,835)                   | 89,685,612                | 3,732   | 0  |
| 22. Massachusetts.....MA            | YES                                      | 25,613,982  | 21,471,264                  | 0   | 24,759,940                                  | 13,625,503                  | 168,004,255               | 48,719  | 0  |
| 23. Michigan.....MI                 | YES                                      | 2,581,562   | 4,268,774                   | 0   | 8,756,302                                   | 2,584,371                   | 296,046,633               | 1,353   | 0  |
| 24. Minnesota.....MN                | YES                                      | 6,884,552   | 8,428,528                   | 434   | 4,021,646                                   | 4,809,463                   | 43,332,477                | 3,192   | 0  |
| 25. Mississippi.....MS              | YES                                      | 1,526,497   | 1,969,340                   | 0   | 2,214,996                                   | 4,690,342                   | 18,184,178                | 1,259   | 0  |
| 26. Missouri.....MO                 | YES                                      | 4,920,413   | 6,346,272                   | 0   | 4,154,026                                   | 1,107,716                   | 40,533,867                | 2,897   | 0  |
| 27. Montana.....MT                  | YES                                      | 826,355   | 778,038                     | 0   | 311,811                                     | 29,331                      | 3,432,837                 | 1,422   | 0  |
| 28. Nebraska.....NE                 | YES                                      | 2,837,577   | 4,374,017                   | 11,650  | 1,198,551                                   | 190,719                     | 10,205,570                | 1,652   | 0  |
| 29. Nevada.....NV                   | YES                                      | 666,177   | 604,189                     | 0   | (2,164,415)                                 | (3,370,456)                 | 2,594,762                 | 357   | 0  |
| 30. New Hampshire.....NH            | YES                                      | 1,662,767   | 2,038,811                   | 0   | 3,103,131                                   | 4,735,937                   | 27,746,839                | 2,366   | 0  |
| 31. New Jersey.....NJ               | YES                                      | 7,260,307   | 7,493,474                   | 0   | 7,406,961                                   | 6,902,980                   | 137,300,097               | 8,343   | 0  |
| 32. New Mexico.....NM               | YES                                      | 162,795   | 300,552                     | 0   | 663,069                                     | 3,507,065                   | 8,477,039                 | 104   | 0  |
| 33. New York.....NY                 | YES                                      | 58,654,074  | 63,048,901                  | 0   | 53,512,998                                  | 22,916,261                  | 575,931,409               | 103,146   | 0  |
| 34. North Carolina.....NC           | YES                                      | 5,384,989   | 7,394,604                   | 0   | 6,207,069                                   | 6,104,443                   | 54,444,108                | 30,983  | 0  |
| 35. North Dakota.....ND             | YES                                      | 41,738  | 50,018                      | 0   | (4,359)                                     | (239,644)                   | 297,381                   | 16  | 0  |
| 36. Ohio.....OH                     | YES                                      | 1,423,620   | 3,765,834                   | 0   | 8,271,728                                   | (14,713,505)                | 322,663,042               | 552   | 0  |
| 37. Oklahoma.....OK                 | YES                                      | 2,925,970   | 2,451,760                   | 0   | 402,137                                     | 793,372                     | 35,617,688                | 256   | 0  |
| 38. Oregon.....OR                   | YES                                      | 2,123,490   | 2,800,689                   | 0   | 609,556                                     | (899,660)                   | 13,739,989                | 2,191   | 0  |
| 39. Pennsylvania.....PA             | YES                                      | 7,701,826   | (16,948,137)                | 479   | 11,893,692                                  | 2,134,151                   | 259,445,518               | 6,089   | 0  |
| 40. Rhode Island.....RI             | YES                                      | 1,203,736   | 970,003                     | 0   | 2,478,470                                   | 3,709,197                   | 55,865,922                | 2,437   | 0  |
| 41. South Carolina.....SC           | YES                                      | 1,393,828   | 3,138,112                   | 0   | 604,542                                     | 212,446                     | 16,476,604                | 1,280   | 0  |
| 42. South Dakota.....SD             | YES                                      | 552,312   | 539,701                     | 10  | 170,605                                     | (225,438)                   | 1,550,119                 | 326   | 0  |
| 43. Tennessee.....TN                | YES                                      | 18,161,530  | 17,519,156                  | 0   | 8,244,297                                   | 18,564,323                  | 69,633,068                | 16,154  | 0  |
| 44. Texas.....TX                    | YES                                      | 24,609,158  | 17,855,689                  | 0   | 4,522,890                                   | 378,249                     | 172,039,711               | 19,138  | 0  |
| 45. Utah.....UT                     | YES                                      | 210,917   | 208,775                     | 0   | (118,293)                                   | (377,026)                   | 4,272,222                 | 247   | 0  |
| 46. Vermont.....VT                  | YES                                      | 1,383,886   | 1,627,993                   | 0   | 955,203                                     | 1,404,575                   | 15,929,456                | 1,552   | 0  |
| 47. Virginia.....VA                 | YES                                      | 50,917,358  | 47,763,689                  | 28,819  | 16,366,464                                  | 16,828,696                  | 85,940,337                | 648,522   | 0  |
| 48. Washington.....WA               | YES                                      | 1,466,263   | 2,233,331                   | 0   | 1,318,711                                   | (2,664,362)                 | 18,734,537                | 1,523   | 0  |
| 49. West Virginia.....WV            | YES                                      | 720,875   | 812,508                     | 0   | 1,025,783                                   | 396,420                     | 23,141,918                | 387   | 0  |
| 50. Wisconsin.....WI                | YES                                      | 6,468,559   | 7,556,324                   | 764   | 7,552,224                                   | 10,336,079                  | 50,443,500                | 1,603   | 0  |
| 51. Wyoming.....WY                  | YES                                      | 25,440  | 23,443                      | 0   | 21,124                                      | (224,178)                   | 427,263                   | 17  | 0  |
| 52. American Samoa.....AS           | NO                                       | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 53. Guam.....GU                     | YES                                      | 3,680   | 4,081                       | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 54. Puerto Rico.....PR              | YES                                      | 7,808,452   | 6,509,848                   | 0   | 0   | 0                           | 0                         | 29  | 0  |
| 55. US Virgin Islands.....VI        | YES                                      | 153,350   | 77,927                      | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 56. Northern Mariana Islands.....MP | NO                                       | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 57. Canada.....CN                   | NO                                       | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 58. Aggregate Other Alien.....OT    | XXX                                      | 228,332   | 464,391                     | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 59. Totals.....                     | (a) 54                                   | 417,574,382   | 378,042,280                 | 113,632   | 265,170,970                                 | 195,800,857                 | 4,142,515,289             | 1,107,585   | 0  |

**DETAILS OF WRITE-INS**

|   |     |         |         |   |   |   |   |   |   |
|---|-----|---------|---------|---|---|---|---|---|---|
| 5801. Other Alien Combined.....                                     | XXX | 228,332 | 464,391 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5802. ....  | XXX | 0       | 0       | 0 | 0 | 0 | 0 | 0 | 0 |
| 5803. ....  | XXX | 0       | 0       | 0 | 0 | 0 | 0 | 0 | 0 |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | XXX | 0       | 0       | 0 | 0 | 0 | 0 | 0 | 0 |
| 5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above)     | XXX | 228,332 | 464,391 | 0 | 0 | 0 | 0 | 0 | 0 |

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

Location of property: 1 Fire, 2 Allied lines, 3 Farmowners, 4 Homeowners, 5 CMP, 12 Earthquake, 25 Glass, 26 Burglary and theft, 27 Boiler and machinery, 28 credit; Location of risk: 11 Medical malpractice, 14 Group A&H, 17 Other liability; Location of garage: 19 Auto liability, 21 Auto physical damage, 8 Ocean marine - Where policy is negotiated and placed; 9 Inland marine - Where located; 10 Financial guaranty - Location of principal; 15 Other A&H - Insured's residence; 16 Workers' compensation - Location of employee's workplace; 23 Fidelity - Location of insured's principal office; 22 Aircraft - Location of airport from which insured's aircraft operates; 24 Surety - Depository, supply contract and miscellaneous: Location of principal; Judicial: Location of court; Licensee: Location of obligee; Construction: Location of work.

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

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

|  |                |            |   |                |            |
|--|----------------|------------|---|----------------|------------|
| The Travelers Companies, Inc.  | Minnesota      | 41-0518860 | ... .. Travelers Personal Security Insurance Company (36145) *    | Connecticut    | 06-1286264 |
| ... St. Paul Fire and Marine Insurance Company (24767) *                   | Minnesota      | 41-0406690 | ... .. Travelers Property Casualty Insurance Company (36161) *    | Connecticut    | 06-1286274 |
| ... .. St. Paul Mercury Insurance Company (24791) *                        | Minnesota      | 41-0881659 | ... .. Travelers Personal Insurance Company (38130) *             | Connecticut    | 36-3703200 |
| ... .. St. Paul Guardian Insurance Company (24775) *                       | Minnesota      | 41-0963301 | ... .. Travelers (Bermuda) Limited *                              | Bermuda        | 98-0190863 |
| ... .. St. Paul Fire and Casualty Insurance Company (40967) *              | Wisconsin      | 41-1419276 | ... .. Travelers Casualty and Surety Company (19038) *            | Connecticut    | 06-6033504 |
| ... .. Seaboard Surety Company (22535)*                                    | New York       | 13-5379820 | ... .. Farmington Casualty Company (41483) *                      | Connecticut    | 06-1067463 |
| ... .. St. Paul Surplus Lines Insurance Company (30481) *                  | Delaware       | 41-1230819 | ... .. Travelers Guarantee Company of Canada*                     | Canada         |            |
| ... .. Athena Assurance Company (41769) *                                  | Minnesota      | 41-1435765 | ... .. Coronation Insurance Company, Ltd. *                       | Canada         |            |
| ... .. St. Paul Medical Liability Insurance Company (41750) *              | Minnesota      | 41-1435766 | ... .. TCS European Investments Inc.                              | Connecticut    | 06-1549972 |
| ... .. Northbrook Holdings, Inc.   | Delaware       | 51-0375653 | ... .. TCS International Investments                              | Cayman Islands | 52-2138487 |
| ... .. Discover Property & Casualty Insurance Company (36463) *            | Illinois       | 36-2999370 | ... .. Travelers Casualty and Surety Company of America (31194) * | Connecticut    | 06-0907370 |
| ... .. St. Paul Protective Insurance Company (19224) *                     | Illinois       | 36-2542404 | ... .. Travelers Casualty Insurance Company of America (19046) *  | Connecticut    | 06-0876835 |
| ... .. Discover Specialty Insurance Company (10213) *                      | Illinois       | 52-1925132 | ... .. Travelers Casualty Company of Connecticut (36170) *        | Connecticut    | 06-1286266 |
| ... .. Unionamerica Holdings, Ltd.   | United Kingdom |            | ... .. Travelers Commercial Insurance Company (36137) *           | Connecticut    | 06-1286268 |
| ... .. Unionamerica Acquisition Company, Ltd.                              | United Kingdom |            | ... .. Travelers Excess and Surplus Lines Company (29696) *       | Connecticut    | 06-1203698 |
| ... .. St. Paul Reinsurance Company Limited *                              | United Kingdom |            | ... .. Travelers Lloyds of Texas Insurance Company (41564) *      | Texas          | 75-1732040 |
| ... .. Unionamerica Insurance Company, Ltd. (71%) *                        | United Kingdom |            | ... .. Travelers PC Fund Investments, Inc.                        | Connecticut    | 06-1514468 |
| ... .. Unionamerica Insurance Company, Ltd. (29%) *                        | United Kingdom |            | ... .. The Travelers Indemnity Company (25658) *                  | Connecticut    | 06-0566050 |
| ... .. Unionamerica Combined Investment Co., Ltd.                          | United Kingdom |            | ... .. The Charter Oak Fire Insurance Company (25615) *           | Connecticut    | 06-0291290 |
| ... .. Jago Dedicated, Ltd. (88.9%)  | United Kingdom |            | ... .. First Floridian Auto and Home Insurance Company (10647) *  | Florida        | 59-3372141 |
| ... .. Jago Capital Limited  | United Kingdom |            | ... .. First Trenton Indemnity Company (29930) *                  | New Jersey     | 22-3129711 |
| ... .. Lloyds Syndicate 205 *  | United Kingdom |            | ... .. Travelers Auto Insurance Co. of New Jersey (10785) *       | New Jersey     | 22-3499393 |
| ... .. MMedica Insurance Company, Ltd. *                                   | Ireland        |            | ... .. Atlantic Insurance Company (22209) *                       | Texas          | 75-6013587 |
| ... .. Captiva, Ltd. (81.1%)*  | Bermuda        | 98-0170615 | ... .. Gulf Underwriters Insurance Company (42811) *              | Connecticut    | 56-1371361 |
| ... .. United States Fidelity and Guaranty Company (25887) *               | Maryland       | 52-0515280 | ... .. Select Insurance Company (22233) *                         | Texas          | 75-6013697 |
| ... .. Fidelity and Guaranty Insurance Underwriters, Inc. (25879) *        | Wisconsin      | 52-0616768 | ... .. Gulf Insurance Holdings U.K. Ltd.                          | United Kingdom |            |
| ... .. Fidelity and Guaranty Insurance Company (35386) *                   | Iowa           | 42-1091525 | ... .. Gulf Underwriting Holdings Limited                         | United Kingdom |            |
| ... .. Discover Re Managers, Inc.  | Delaware       | 06-1288492 | ... .. Gulf Underwriting Limited *                                | United Kingdom |            |
| ... .. MMI Capital Trust I   | Delaware       | 52-2073764 | ... .. Travelers Casualty and Surety Company of Europe, Limited * | United Kingdom |            |
| ... .. USF&G Capital I   | Delaware       | 52-1953822 | ... .. The Northland Company                                      | Minnesota      | 41-0588627 |
| ... .. USF&G Capital II  | Delaware       | 52-1953824 | ... .. Commercial Guaranty Casualty Insurance Company (21296) *   | Indiana        | 35-0293730 |
| ... .. USF&G Capital III   | Delaware       | 52-2044075 | ... .. Commercial Guaranty Insurance Company (38385) *            | Delaware       | 75-1679830 |
| ... .. USF&G Financial Services Corporation                                | Maryland       | 52-1386957 | ... .. Jupiter Holdings, Inc.                                     | Minnesota      | 41-1769846 |
| ... .. Mountain Ridge Insurance Company (10950) *                          | Vermont        | 52-1957776 | ... .. American Equity Insurance Company (43117) *                | Arizona        | 86-0703220 |
| ... .. St. Paul Bermuda Holdings, Inc.                                     | Delaware       | 41-1835264 | ... .. American Equity Specialty Insurance Company (10819) *      | Connecticut    | 86-0868106 |
| ... .. St. Paul (Bermuda), Ltd. *  | Bermuda        | 98-0162036 | ... .. Northland Insurance Company (24015) *                      | Minnesota      | 41-6009967 |
| ... .. St. Paul Re (Bermuda), Ltd. *                                       | Bermuda        | 98-0114704 | ... .. Northfield Insurance Company (27987) *                     | Iowa           | 41-0983992 |
| ... .. St. Paul Travelers Insurance Company Limited *                      | United Kingdom |            | ... .. Northland Casualty Company (24031) *                       | Minnesota      | 94-6051964 |
| ... .. F&G U.K. Underwriters Limited                                       | United Kingdom |            | ... .. Travelers Indemnity UK Investments, LLC                    | Connecticut    | 06-1591454 |
| ... .. Lloyds Syndicate 5000 (40%) *                                       | United Kingdom |            | ... .. The Phoenix Insurance Company (25623) *                    | Connecticut    | 06-0303275 |
| ... .. Aprilgrange Limited   | United Kingdom |            | ... .. The Travelers Indemnity Company of America (25666) *       | Connecticut    | 58-6020487 |
| ... .. Lloyds Syndicate 5000 (60%) *                                       | United Kingdom |            | ... .. The Travelers Indemnity Company of Connecticut (25682) *   | Connecticut    | 06-0336212 |
| ... .. Travelers Property Casualty Corp.                                   | Connecticut    | 06-1008174 | ... .. Travelers Property Casualty Company of America (25674) *   | Connecticut    | 36-2719165 |
| ... .. Travelers Insurance Group Holdings Inc.                             | Delaware       | 06-1445591 | ... .. Constitution State Services, LLC                           | Delaware       | 06-1501229 |
| ... .. TPC Investments Inc.  | Connecticut    | 06-1534005 | ... .. The Premier Insurance Company of Massachusetts (12850) *   | Massachusetts  | 04-3175569 |
| ... .. TPC UK Investments LLC  | Delaware       | 06-1534005 | ... .. TINDY RE Investments, Inc.                                 | Connecticut    | 06-1575463 |
| ... .. The Standard Fire Insurance Company (19070) *                       | Connecticut    | 06-6033509 | ... .. TINDY Foreign, Inc.  | Connecticut    | 20-4403403 |
| ... .. AE Properties, Inc.   | California     | 95-2798160 | ... .. TravCo Insurance Company (28188) *                         | Connecticut    | 35-1838077 |
| ... .. Travelers ALPHA Holdings, Inc.                                      | Connecticut    | 06-1531058 | ... .. Travelers Commercial Casualty Company (40282) *            | Connecticut    | 95-3634110 |
| ... .. The Automobile Insurance Company of Hartford, Connecticut (19062) * | Connecticut    | 06-0848755 | ... .. The Travelers Home and Marine Insurance Company (27998) *  | Connecticut    | 35-1838079 |
|  |                |            | ... .. The Travelers Lloyds Insurance Company (41262) *           | Texas          | 76-0002592 |
|  |                |            | ... .. The Travelers Marine Corporation                           | California     | 94-0338230 |

Notes:

\* Denotes affiliated insurer

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

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