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ANNUAL STATEMENT

For the Year Ended December 31, 2007

of the Condition and Affairs of the

AFFILIATED FM INSURANCE COMPANY

NAIC Group Code.....65, 65 (Current Period) (Prior Period) NAIC Company Code..... 10014 Employer's ID Number..... 05-0254496

Organized under the Laws of Rhode Island State of Domicile or Port of Entry Rhode Island Country of Domicile US

Incorporated/Organized..... May 6, 1949 Commenced Business..... June 1, 1950

Statutory Home Office	1301 Atwood Avenue….. Johnston ..... RI ..... 02919-4908 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	1301 Atwood Avenue….. Johnston ..... RI ..... 02919-4908 *(Street and Number) (City or Town, State and Zip Code)*	401-275-3000 *(Area Code) (Telephone Number)*
Mail Address	P.O. Box 7500….. Johnston ..... RI ..... 02919-0500 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	1301 Atwood Avenue….. Johnston ..... RI ..... 02919-4908 *(Street and Number) (City or Town, State and Zip Code)*	401-275-3000 *(Area Code) (Telephone Number)*
Internet Website Address	www.fmglobal.com	
Statutory Statement Contact	Joy K. Cave *(Name)*	401-275-3000-1680 *(Area Code) (Telephone Number) (Extension)*
	joy.cave@fmglobal.com *(E-Mail Address)*	401-946-8306 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. Shivan Sivaswamy Subramaniam	President and CEO	2. John James Pomeroy	Secretary and Sr. Vice President
3. William Alfred Mekrut	Treasurer		

OTHER

Antonius Rudolfus Henricus Bosman	Executive Vice President	Brian Joseph Hurley	Executive Vice President
Jeffrey Alfred Burchill	Senior Vice President	Paul Edward LaFleche	Senior Vice President
Jeanne Ruth Lieb	Senior Vice President	John James Pomeroy	Senior Vice President
Enzo Rebula	Senior Vice President		

DIRECTORS OR TRUSTEES

David Boyd Burritt	Walter Joseph Galvin	Mary Lynch Howell	John Anderson Luke, Jr.
Gracia Catherine Martore	Robert Joseph O'Toole	David Pulman	William A. Roper, Jr #
Elisabeth Struckell	Shivan Sivaswamy Subramaniam	James Conrad Thyen	Alfred Joseph Verrecchia

State of.....Rhode Island.
County of...Providence..

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 of the enclosed statement (except for formatting differences due to electronic filing). The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Shivan Sivaswamy Subramaniam	John James Pomeroy	Theresa Ann Molloy
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President and CEO	Secretary and Sr. Vice President	VP Controller
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This 1st day of February, 2008

John A. Soares III Notary Public

Expires July 5, 2009

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	1,084,488,930		1,084,488,930	985,476,868
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	27,768,761		27,768,761	27,424,228
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(2,842,201), Sch. E-Part 1), cash equivalents ($.....398,036, Sch. E-Part 2) and short-term investments ($.....7,840,230, Sch. DA)	5,396,065		5,396,065	49,328,823
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)			0	
8. Receivables for securities	2,150,476		2,150,476	1,143,525
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,119,804,232	0	1,119,804,232	1,063,373,444
11. Title plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	12,069,797		12,069,797	10,713,081
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	94,765,723	3,236,799	91,528,924	97,393,017
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	48,001,963		48,001,963	67,398,741
14.2 Funds held by or deposited with reinsured companies	46,334		46,334	5,547,113
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon			0	
16.2 Net deferred tax asset	12,776,000		12,776,000	16,612,000
17. Guaranty funds receivable or on deposit	348,051		348,051	396,429
18. Electronic data processing equipment and software			0	
19. Furniture and equipment, including health care delivery assets ($.....0)			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates	541,445		541,445	
21. Receivables from parent, subsidiaries and affiliates	61,009,173		61,009,173	10,797,043
22. Health care ($.....0) and other amounts receivable			0	
23. Aggregate write-ins for other than invested assets	15,097,335	0	15,097,335	2,894,571
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,364,460,053	3,236,799	1,361,223,254	1,275,125,439
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	1,364,460,053	3,236,799	1,361,223,254	1,275,125,439

DETAILS OF WRITE-INS

0901.			0	
0902.			0	
0903.			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. Equities and deposits in pools and associations	250,000		250,000	250,000
2302. Accounts Receivable State Tax Refunds	685,959		685,959	705,382
2303. Accounts Receivable Miscellaneous	1,618,254		1,618,254	13,123
2398. Summary of remaining write-ins for Line 23 from overflow page	12,543,122	0	12,543,122	1,926,066
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	15,097,335	0	15,097,335	2,894,571

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 34, Column 8)	296,032,596	306,447,495
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	4,786,812	4,119,511
3.	Loss adjustment expenses (Part 2A, Line 34, Column 9)	35,961,512	39,287,444
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	62,750	7,071,746
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	5,110,550	5,504,571
7.1	Current federal and foreign income taxes (including $.....490,000 on realized capital gains (losses))	46,246,035	40,016,098
7.2	Net deferred tax liability		
8.	Borrowed money $.....0 and interest thereon $.....0		
9.	Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of $.....71,509,543 and including warranty reserves of $.....0)	228,962,342	224,128,345
10.	Advance premiums		
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	104,963	99,593
12.	Ceded reinsurance premiums payable (net of ceding commissions)	53,308,457	58,040,200
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		61,115
14.	Amounts withheld or retained by company for account of others	633,423	467,379
15.	Remittances and items not allocated	715	741,468
16.	Provision for reinsurance (Schedule F, Part 7)	4,657,283	4,528,365
17.	Net adjustments in assets and liabilities due to foreign exchange rates		7,374,298
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates		
20.	Payable for securities		1,081,668
21.	Liability for amounts held under uninsured plans		
22.	Capital notes $.....0 and interest thereon $.....0		
23.	Aggregate write-ins for liabilities	9,850,900	4,163,746
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	685,718,338	703,133,042
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	685,718,338	703,133,042
27.	Aggregate write-ins for special surplus funds	0	0
28.	Common capital stock	4,000,000	4,000,000
29.	Preferred capital stock	7,250,000	7,250,000
30.	Aggregate write-ins for other than special surplus funds	0	0
31.	Surplus notes		
32.	Gross paid in and contributed surplus	270,210,662	270,210,662
33.	Unassigned funds (surplus)	394,044,254	290,531,735
34.	Less treasury stock, at cost:		
	34.1 .....0.000 shares common (value included in Line 28 $.....0)		
	34.2 .....0.000 shares preferred (value included in Line 29 $.....0)		
35.	Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	675,504,916	571,992,397
36.	TOTALS (Page 2, Line 26, Col. 3)	1,361,223,254	1,275,125,439

DETAILS OF WRITE-INS

2301.	Miscellaneous Accounts Payable	9,850,900	4,163,746
2302.			
2303.			
2398.	Summary of remaining write-ins for Line 23 from overflow page	0	0
2399.	Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	9,850,900	4,163,746
2701.			
2702.			
2703.			
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)	0	0
3001.			
3002.			
3003.			
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

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 34, Column 4)	328,843,765	326,327,377
	DEDUCTIONS		
2.	Losses incurred (Part 2, Line 34, Column 7)	130,754,460	155,105,738
3.	Loss expenses incurred (Part 3, Line 25, Column 1)	15,859,880	12,389,262
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	83,617,312	78,856,484
5.	Aggregate write-ins for underwriting deductions	0	0
6.	Total underwriting deductions (Lines 2 through 5)	230,231,652	246,351,484
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	98,612,113	79,975,893
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	57,868,604	49,600,354
10.	Net realized capital gains (losses) less capital gains tax of $.....490,000 (Exhibit of Capital Gains (Losses))	909,568	351,503
11.	Net investment gain (loss) (Lines 9 + 10)	58,778,172	49,951,857
	OTHER INCOME		
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered $.....0 amount charged off $.....248,303)	(248,303)	(255,238)
13.	Finance and service charges not included in premiums		
14.	Aggregate write-ins for miscellaneous income	210,591	(478,497)
15.	Total other income (Lines 12 through 14)	(37,712)	(733,735)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	157,352,573	129,194,015
17.	Dividends to policyholders	292,967	269,267
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)	157,059,606	128,924,748
19.	Federal and foreign income taxes incurred	56,078,535	49,681,265
20.	Net income (Line 18 minus Line 19) (to Line 22)	100,981,071	79,243,483
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	571,992,397	489,260,949
22.	Net income (from Line 20)	100,981,071	79,243,483
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $.....1,125,000	(503,779)	1,358,579
25.	Change in net unrealized foreign exchange capital gain (loss)	7,915,743	1,513,923
26.	Change in net deferred income tax	(2,711,000)	3,571,000
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26 Column 3)	(405,539)	875,185
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(128,918)	(1,369,549)
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3. Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(507,500)	(507,500)
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(1,127,559)	(1,953,674)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	103,512,519	82,731,447
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	675,504,916	571,992,397

DETAILS OF WRITE-INS

0501.			
0502.			
0503.			
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.	Miscellaneous Income (Expense)	210,591	(478,497)
1402.			
1403.			
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)	210,591	(478,497)
3701.	Foreign exchange	(1,127,559)	(1,953,674)
3702.	Interest on prior year's taxes		
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799.	Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above)	(1,127,559)	(1,953,674)

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	334,404,572	352,269,389
2. Net investment income	56,870,309	48,261,457
3. Miscellaneous income	(37,712)	(733,735)
4. Total (Lines 1 through 3)	391,237,169	399,797,111
5. Benefit and loss related payments	126,221,557	110,881,979
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	110,157,763	80,057,895
8. Dividends paid to policyholders	287,597	261,450
9. Federal and foreign income taxes paid (recovered) net of $.....490,000 tax on capital gains (losses)	50,338,598	46,441,956
10. Total (Lines 5 through 9)	287,005,515	237,643,279
11. Net cash from operations (Line 4 minus Line 10)	104,231,654	162,153,832
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	289,953,031	363,121,993
12.2 Stocks	17,379,143	15,220,874
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(39,314)	(13,981)
12.7 Miscellaneous proceeds		1,263,656
12.8 Total investment proceeds (Lines 12.1 to 12.7)	307,292,860	379,592,542
13. Cost of investments acquired (long-term only):		
13.1 Bonds	391,825,760	518,869,006
13.2 Stocks	14,288,881	15,298,481
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	2,088,619	1,647,427
13.7 Total investments acquired (Lines 13.1 to 13.6)	408,203,261	535,814,914
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(100,910,401)	(156,222,372)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	507,500	507,500
16.6 Other cash provided (applied)	(46,746,511)	3,768,633
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(47,254,011)	3,261,133
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(43,932,758)	9,192,593
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	49,328,823	40,136,231
19.2 End of year (Line 18 plus Line 19.1)	5,396,065	49,328,823

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

20.0001		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	166,085,367	86,561,020	86,335,661	166,310,726
2.	Allied lines	88,742,943	47,139,263	46,634,836	89,247,370
3.	Farmowners multiple peril				0
4.	Homeowners multiple peril	1,328,894	710,171	773,519	1,265,546
5.	Commercial multiple peril	52,839,163	27,998,067	27,440,497	53,396,733
6.	Mortgage guaranty				0
8.	Ocean marine	17,829,860	8,772,558	8,574,185	18,028,233
9.	Inland marine	114,634,103	52,938,639	58,837,015	108,735,727
10.	Financial guaranty				0
11.1	Medical malpractice - occurrence				0
11.2	Medical malpractice - claims-made				0
12.	Earthquake				0
13.	Group accident and health				0
14.	Credit accident and health (group and individual)				0
15.	Other accident and health				0
16.	Workers' compensation	110	58	58	110
17.1	Other liability - occurrence				0
17.2	Other liability - claims-made				0
18.1	Products liability - occurrence				0
18.2	Products liability - claims-made				0
19.1, 19.2	Private passenger auto liability				0
19.3, 19.4	Commercial auto liability				0
21.	Auto physical damage				0
22.	Aircraft (all perils)				0
23.	Fidelity				0
24.	Surety				0
26.	Burglary and theft				0
27.	Boiler and machinery	564,756	8,569	366,571	206,754
28.	Credit				0
29.	International				0
30.	Reinsurance - nonproportional assumed property	(108,347,434)			(108,347,434)
31.	Reinsurance - nonproportional assumed liability				0
32.	Reinsurance - nonproportional assumed financial lines				0
33.	Aggregate write-ins for other lines of business	0	0	0	0
34.	TOTALS	333,677,762	224,128,345	228,962,342	328,843,765

DETAILS OF WRITE-INS

3301.					0
3302.					0
3303.					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)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running more than One Year from Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	86,335,661				86,335,661
2.	Allied lines	46,634,836				46,634,836
3.	Farmowners multiple peril					0
4.	Homeowners multiple peril	773,519				773,519
5.	Commercial multiple peril	27,440,497				27,440,497
6.	Mortgage guaranty					0
8.	Ocean marine	8,574,185				8,574,185
9.	Inland marine	58,837,015				58,837,015
10.	Financial guaranty					0
11.1	Medical malpractice - occurrence					0
11.2	Medical malpractice - claims-made					0
12.	Earthquake					0
13.	Group accident and health					0
14.	Credit accident and health (group and individual)					0
15.	Other accident and health					0
16.	Workers' compensation	58				58
17.1	Other liability - occurrence					0
17.2	Other liability - claims-made					0
18.1	Products liability - occurrence					0
18.2	Products liability - claims-made					0
19.1, 19.2	Private passenger auto liability					0
19.3, 19.4	Commercial auto liability					0
21.	Auto physical damage					0
22.	Aircraft (all perils)					0
23.	Fidelity					0
24.	Surety					0
26.	Burglary and theft					0
27.	Boiler and machinery	366,571				366,571
28.	Credit					0
29.	International					0
30.	Reinsurance - nonproportional assumed property					0
31.	Reinsurance - nonproportional assumed liability					0
32.	Reinsurance - nonproportional assumed financial lines					0
33.	Aggregate write-ins for other lines of business	0	0	0	0	0
34.	TOTALS	228,962,342	0	0	0	228,962,342
35.	Accrued retrospective premiums based on experience					
36.	Earned but unbilled premiums					
37.	Balance (sum of Lines 34 through 36)					228,962,342

DETAILS OF WRITE-INS

3301.						0
3302.						0
3303.						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	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

	Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
1.	Fire	210,877,653		995,590	1,042,798	44,745,078	166,085,367
2.	Allied lines	126,266,282		449,826	864,822	37,108,343	88,742,943
3.	Farmowners multiple peril						0
4.	Homeowners multiple peril	1,386,195				57,301	1,328,894
5.	Commercial multiple peril	69,264,342		290,762		16,715,941	52,839,163
6.	Mortgage guaranty						0
8.	Ocean marine	17,815,610	151,696	281,063		418,509	17,829,860
9.	Inland marine	150,063,257		460,889	817,380	35,072,663	114,634,103
10.	Financial guaranty						0
11.1	Medical malpractice - occurrence						0
11.2	Medical malpractice - claims-made						0
12.	Earthquake						0
13.	Group accident and health						0
14.	Credit accident and health (group and individual)						0
15.	Other accident and health						0
16.	Workers' compensation	110					110
17.1	Other liability - occurrence						0
17.2	Other liability - claims-made						0
18.1	Products liability - occurrence						0
18.2	Products liability - claims-made						0
19.1, 19.2	Private passenger auto liability						0
19.3, 19.4	Commercial auto liability						0
21.	Auto physical damage						0
22.	Aircraft (all perils)						0
23.	Fidelity						0
24.	Surety						0
26.	Burglary and theft						0
27.	Boiler and machinery	33,638,387		81,207	32,173,289	981,549	564,756
28.	Credit						0
29.	International						0
30.	Reinsurance - nonproportional assumed property	XXX			108,347,434		(108,347,434)
31.	Reinsurance - nonproportional assumed liability	XXX					0
32.	Reinsurance - nonproportional assumed financial lines	XXX					0
33.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
34.	TOTALS	609,311,836	151,696	2,559,337	143,245,723	135,099,384	333,677,762

DETAILS OF WRITE-INS

3301.							0
3302.							0
3303.							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	0	0	0	0	0

(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 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1.	Fire	73,675,192	5,586,941	18,255,171	61,006,962	60,682,882	63,228,347	58,461,497	35.2
2.	Allied lines	87,532,040		34,768,977	52,763,063	27,130,191	35,205,818	44,687,436	50.1
3.	Farmowners multiple peril				0			0	
4.	Homeowners multiple peril	273,186			273,186	252,351	146,686	378,851	29.9
5.	Commercial multiple peril	14,568,405		5,820,684	8,747,721	12,151,280	10,254,366	10,644,635	19.9
6.	Mortgage guaranty				0			0	
8.	Ocean marine	37,309,539	197,131	3,926,265	33,580,405	16,830,969	22,927,108	27,484,266	152.5
9.	Inland marine	59,704,475		15,372,339	44,332,136	39,778,634	34,418,520	49,692,250	45.7
10.	Financial guaranty				0			0	
11.1	Medical malpractice - occurrence				0			0	
11.2	Medical malpractice - claims-made				0			0	
12.	Earthquake				0			0	
13.	Group accident and health				0			0	
14.	Credit accident and health (group and individual)				0			0	
15.	Other accident and health				0			0	
16.	Workers' compensation	1,191,641		583,826	607,815	1,243,450	1,851,264	1	0.9
17.1	Other liability - occurrence	1,483,965		1,701,392	(217,427)	7,853,285	14,738,975	(7,103,117)	
17.2	Other liability - claims-made				0			0	
18.1	Products liability - occurrence	5,289,170		7,894,071	(2,604,901)	114,226,953	104,423,526	7,198,526	
18.2	Products liability - claims-made				0			0	
19.1, 19.2	Private passenger auto liability				0			0	
19.3, 19.4	Commercial auto liability				0			0	
21.	Auto physical damage				0			0	
22.	Aircraft (all perils)				0			0	
23.	Fidelity	44,931		(16,157)	61,088	8,993,285	10,418,241	(1,363,868)	
24.	Surety				0	25,500	25,500	0	
26.	Burglary and theft				0			0	
27.	Boiler and machinery	9,257,801		7,069,771	2,188,030	2,323,870	4,174,975	336,925	163.0
28.	Credit				0			0	
29.	International				0			0	
30.	Reinsurance - nonproportional assumed property	XXX		59,601,053	(59,601,053)			(59,601,053)	55.0
31.	Reinsurance - nonproportional assumed liability	XXX	32,334		32,334	4,539,946	4,634,169	(61,889)	
32.	Reinsurance - nonproportional assumed financial lines	XXX			0			0	
33.	Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	
34.	TOTALS	290,330,345	5,816,406	154,977,392	141,169,359	296,032,596	306,447,495	130,754,460	39.8

DETAILS OF WRITE-INS

3301.					0			0	
3302.					0			0	
3303.					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	0	0	0	0	0	0	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
	Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1.	Fire	50,651,546	1,058,873	13,817,146	37,893,273	31,884,802		9,095,193	60,682,882	3,698,328
2.	Allied lines	19,190,257		6,716,407	12,473,850	19,185,941		4,529,600	27,130,191	1,273,137
3.	Farmowners multiple peril				0				0	
4.	Homeowners multiple peril	65,451			65,451	186,900			252,351	
5.	Commercial multiple peril	14,201,757		4,078,425	10,123,332	4,864,848		2,836,900	12,151,280	813,144
6.	Mortgage guaranty				0				0	
8.	Ocean marine	12,215,469	17,500	450,000	11,782,969	5,048,000			16,830,969	1,284,326
9.	Inland marine	41,576,610		13,122,787	28,453,823	19,451,411		8,126,600	39,778,634	2,644,818
10.	Financial guaranty				0				0	
11.1	Medical malpractice - occurrence				0				0	
11.2	Medical malpractice - claims-made				0				0	
12.	Earthquake				0				0	
13.	Group accident and health				0				(a) 0	
14.	Credit accident and health (group and individual)				0				0	
15.	Other accident and health				0				(a) 0	
16.	Workers' compensation	2,352,803		2,000,298	352,505	973,919	289,220	372,194	1,243,450	124,060
17.1	Other liability - occurrence	13,699,003	869,447	12,023,009	2,545,441	33,358,980		28,051,136	7,853,285	6,553,727
17.2	Other liability - claims-made				0				0	
18.1	Products liability - occurrence	69,327,669		37,182,677	32,144,992	168,822,539	11,142	86,751,720	114,226,953	19,480,472
18.2	Products liability - claims-made				0				0	
19.1, 19.2	Private passenger auto liability				0				0	
19.3, 19.4	Commercial auto liability				0				0	
21.	Auto physical damage				0				0	
22.	Aircraft (all perils)				0				0	
23.	Fidelity	1,001,000		1,384,641	(383,641)	9,376,926			8,993,285	
24.	Surety	25,500			25,500				25,500	
26.	Burglary and theft				0				0	
27.	Boiler and machinery	7,385,286		5,164,616	2,220,670	2,305,000		2,201,800	2,323,870	89,500
28.	Credit				0				0	
29.	International				0				0	
30.	Reinsurance - nonproportional assumed property	XXX			0	XXX			0	
31.	Reinsurance - nonproportional assumed liability	XXX	569,498		569,498	XXX	3,970,448		4,539,946	
32.	Reinsurance - nonproportional assumed financial lines	XXX			0	XXX			0	
33.	Aggregate write-ins for other lines of business	0		0	0	0		0	0	0
34.	TOTALS	231,692,351	2,515,318	95,940,006	138,267,663	295,459,266	4,270,810	141,965,143	296,032,596	35,961,512

DETAILS OF WRITE-INS

3301.					0				0	
3302.					0				0	
3303.					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	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	18,800,067			18,800,067
1.2 Reinsurance assumed	(301,231)			(301,231)
1.3 Reinsurance ceded	11,455,362			11,455,362
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	7,043,474	0	0	7,043,474
2. Commission and brokerage:				
2.1 Direct, excluding contingent		55,939,685		55,939,685
2.2 Reinsurance assumed, excluding contingent		798,291		798,291
2.3 Reinsurance ceded, excluding contingent		91,686,418		91,686,418
2.4 Contingent - direct				0
2.5 Contingent - reinsurance assumed				0
2.6 Contingent - reinsurance ceded				0
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	(34,948,442)	0	(34,948,442)
3. Allowances to managers and agents				0
4. Advertising	225	1,756,591		1,756,816
5. Boards, bureaus and associations		122,863		122,863
6. Surveys and underwriting reports	55,763	870,401		926,164
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries	5,330,789	58,245,143	620,813	64,196,745
8.2 Payroll taxes	318,995	3,534,495	44,168	3,897,658
9. Employee relations and welfare	1,344,011	15,335,835	163,687	16,843,533
10. Insurance	64,148	1,555,846	142	1,620,136
11. Directors' fees		25,153		25,153
12. Travel and travel items	1,027,482	8,222,057	8,600	9,258,139
13. Rent and rent items	473,058	4,383,134	2,443	4,858,635
14. Equipment	54,925	2,402,372	6,197	2,463,494
15. Cost or depreciation of EDP equipment and software				0
16. Printing and stationery	67,065	912,965	8,424	988,454
17. Postage, telephone and telegraph, exchange and express	79,714	2,059,368	14,237	2,153,319
18. Legal and auditing		123,145		123,145
19. Totals (Lines 3 to 18)	8,816,175	99,549,368	868,711	109,234,254
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $.....73,532		16,909,128		16,909,128
20.2 Insurance department licenses and fees	50	446,269	25	446,344
20.3 Gross guaranty association assessments		470,683		470,683
20.4 All other (excluding federal and foreign income and real estate)				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	50	17,826,080	25	17,826,155
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	181	1,190,306	169,508	1,359,995
25. Total expenses incurred	15,859,880	83,617,312	1,038,244	(a) 100,515,436
26. Less unpaid expenses - current year	35,961,513	5,173,300		41,134,813
27. Add unpaid expenses - prior year	39,287,444	12,576,317		51,863,761
28. Amounts receivable relating to uninsured plans, prior year				0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	19,185,811	91,020,329	1,038,244	111,244,384

DETAILS OF WRITE-INS

2401. Bank Activity Fees		1,732	34,689	36,421
2402. Consulting	181	733,082		733,263
2403. Investment Management Fees			134,819	134,819
2498. Summary of remaining write-ins for Line 24 from overflow page	0	455,492	0	455,492
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	181	1,190,306	169,508	1,359,995

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

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 22,598,490	21,792,767
1.1	Bonds exempt from U.S. tax	(a) 46,122	46,122
1.2	Other bonds (unaffiliated)	(a) 29,463,449	31,243,048
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	441,373	451,460
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 3,192,829	3,159,631
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	2,221,626	2,221,626
10.	Total gross investment income	57,963,889	58,914,654
11.	Investment expenses		(g) 1,038,219
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) 25
13.	Interest expense		(h) 7,806
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		1,046,050
17.	Net investment income (Line 10 minus Line 16)		57,868,604

DETAILS OF WRITE-INS

0901.	Prior Year Income	5,615	5,615
0902.	Securities Lending Interest Income	380,760	380,760
0903.	Interest Income on ICMA Loan	1,590,674	1,590,674
0998.	Summary of remaining write-ins for Line 9 from overflow page	244,576	244,576
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	2,221,626	2,221,626
1501.			
1502.			
1503.			
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 $.....1,019,881 accrual of discount less $.....2,505,862 amortization of premium and less $.....2,163,437 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 $.....60,459 accrual of discount less $.....2,178 amortization of premium and less $.....414 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds	96,908		96,908		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	(1,417,411)		(1,417,411)	(54,184)	
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	2,893,385	(134,000)	2,759,385	675,410	
2.21	Common stocks of affiliates			0		
3.	Mortgage loans			0		
4.	Real estate			0		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	(39,314)		(39,314)		
7.	Derivative instruments			0		
8.	Other invested assets			0		
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	1,533,568	(134,000)	1,399,568	621,226	0

DETAILS OF WRITE-INS

0901.				0		
0902.				0		
0903.				0		
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	3,236,799	2,831,260	(405,539)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software			0
19. Furniture and equipment, including health care delivery assets			0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable			0
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	3,236,799	2,831,260	(405,539)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	3,236,799	2,831,260	(405,539)

DETAILS OF WRITE-INS

0901.			0
0902.			0
0903.			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. Equities and deposits in pools and associations			0
2302. Accounts Receivable State Tax Refunds			0
2303. Accounts Receivable Miscellaneous			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)	0	0	0

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

A. Accounting Practices

The annual statement of Affiliated FM Insurance Company ("Company") has been completed in accordance with the NAIC Accounting Practices and Procedures manual and the state laws of Rhode Island.

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

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

C. Accounting Policies

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

1. Short-term investments are stated at amortized cost.
2. Bonds not backed by other loans are stated at amortized cost using the constant interest rate method. Loaned back bonds and structured securities are at amortized cost using the constant interest rate method, not including anticipated prepayment at the date of purchases.
3. Common Stocks, except investments of stocks of subsidiaries, are stated at market.
4. The Company has no preferred stock.
5. The Company has no mortgage loans.
6. Loaned back securities are valued using an effective yield based on current prepayment assumptions. Prepayment assumptions are reviewed periodically and updated in response to changes in market interest rates.
7. The Company has one non-insurance subsidiary, stated at GAAP equity value adjusted to a Statutory equity value.
8. The Company has no investments in joint ventures, partnerships and limited liability corporations.
9. The Company has no derivative instruments.
10. The Company does not have premium deficiency reserves.
11. Unpaid losses and loss adjustment expenses (including A & E reserves) include amounts determined from individual case estimates and an amount for IBNR (incurred but not reported) loss estimates. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
12. The Company has not modified its capitalization policy from the prior period.
13. The Company has no "pharmaceutical rebate receivables."

Note 2 – Accounting Changes and Correction of Errors

A. There were no material changes in accounting principals or material correction of errors.

Note 3 – Business Combinations and Goodwill - Not applicable

Note 4 – Discontinued Operations - Not applicable

Note 5 – Investments

A. Mortgage Loans - Not applicable

B. Debt Restructuring - Not applicable

C. Reverse Mortgages - Not applicable

D. Loan-Backed Securities – Bonds not backed by other loans are valued at amortized cost using the constant interest rate method. Loan backed bonds and structured securities are valued at amortized costs using the constant interest rate method, not including anticipated prepayment at the date of purchase. Loan backed securities are valued using an effective yield based on current prepayment assumptions. Prepayment assumptions are reviewed periodically and updated in response to changes in market interest rates.

E. Repurchase agreements - Not applicable

F. Real Estate - Not applicable

G. Investments in low -income housing tax credits - Not applicable

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies – Not applicable

Note 7 – Investment Income

A. The Company does not admit investment income due and accrued if the amounts are over 90 days past due.

B. Amounts Non-admitted - Not applicable

Note 8 – Derivative Instruments – Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 9 – Income Taxes

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs)

Description	December 31, 2007	January 1, 2007
Gross deferred tax assets	$ 26,728,000	$ 25,314,000
Gross deferred tax liabilities	13,952,000	8,702,000
Net deferred tax assets	$ 12,776,000	$ 16,612,000
Non-admitted deferred tax assets	-	-
Admitted deferred tax assets	12,776,000	16,612,000
Increase (decrease) in non-admitted deferred tax assets	$ -	$ -

B. Unrecognized DTLs – Not applicable

C. Current Tax and Change in Deferred Tax

Current income taxes incurred consist of the following major components:

Description	2007	2006
Federal	$ 47,332,000	$ 36,667,250
Foreign	8,746,535	13,014,015
Realized Capital Gains Tax	490,000	189,000
Federal and Foreign income taxes incurred	$ 56,568,535	$ 49,870,265

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

	December 31, 2007	January 1, 2007	Change
Deferred Tax Assets			
Unpaid losses and LAE	$ 4,762,000	$ 5,018,000	$ (256,000)
20% of unearned premiums	16,048,000	15,406,000	642,000
Non-admitted assets	1,140,000	978,000	162,000
Bad debt reserve	628,000	870,000	(242,000)
Deferred foreign tax credits	3,650,000	2,457,000	1,193,000
Other	500,000	585,000	(85,000)
Total deferred tax assets	$ 26,728,000	$ 25,314,000	$ 1,414,000
Non-admitted deferred tax assets	-	-	-
Admitted deferred tax assets	$ 26,728,000	$ 25,314,000	$ 1,414,000
Deferred Tax Liabilities			
Unrealized appreciation	$ 4,460,000	$ 3,335,000	$
Unrealized foreign exchange	5,258,000	2,581,000	1,125,000
Deferred foreign income	3,650,000	2,457,000	2,677,000
Other	584,000	329,000	1,193,000
			255,000
Total deferred tax liabilities	$ 13,952,000	$ 8,702,000	$ 5,250,000
Net admitted deferred tax assets	$ 12,776,000	$ 16,612,000	$ (3,836,000)

D. Reconciliation of Federal Income Tax Rate to Effective Rate

The significant book-to-tax adjustments were as follows:

Description	Amount	Effective Tax Rate
Provision at statutory rate	$ 55,142,000	35.0%
Other	1,138,535	.7%
Unrealized Foreign Exchange Gain	2,999,000	1.9%
Totals	$ 59,279,535	37.6%
Federal and foreign income taxes incurred	$ 56,078,535	35.6%
Realized capital gains tax	490,000	.3%
Change in net deferred income taxes	2,711,000	1.7%
Total statutory income taxes	$ 59,279,535	37.6%

E. Operating Loss and Tax Credit Carry forwards

1. The amount of Federal income taxes incurred and available to be recouped in the event of future net losses is: current year $399,050,000; first preceding year $ 280,996,000.

2. The amount of net losses carried forward and available to offset future income subject to Federal income tax is: current year $ 0; first preceding year $ 0; second preceding year $ 0; third preceding year $ 0; fourth preceding year $ 0; fifth preceding year $ 0; sixth preceding year $ 0.

F. Consolidated Federal Income Tax Return

1. The Company's Federal Income Tax return is consolidated with the following entities:

Factory Mutual Insurance Company	FMIC Real Estate Holdings, Inc.
Affiliated FM Insurance Company	FM Real Estate Building Trust
Appalachian Insurance Company	Corporate Insurance Services, Inc.
Risk Engineering Insurance Company Limited	Watch Hill Insurance Company
FMIC Holdings, Inc.	TSB Loss Control Consultants, Inc.
Factory Mutual Engineering Corporation	

2. The method of allocation between the companies is subject to written agreement. Allocation is based upon separate company tax return calculations.

NOTES TO FINANCIAL STATEMENTS

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships:

All of the common stock outstanding of the Company is owned by FMIC Holdings, Inc. (Johnston, RI), which is a wholly-owned subsidiary of the Factory Mutual Insurance Company, Johnston, R.I. In addition to owning 100% of the common stock, FMIC Holdings, Inc. also owns 47,500 shares of the 7% cumulative preferred stock ($100 par value) outstanding. Appalachian Insurance Company, a wholly-owned subsidiary of FMIC Holdings, Inc. owns 25,000 shares of the 7% cumulative preferred stock ($100 par value) outstanding.

B. Detail of Transactions Greater that ½% of Admitted Assets:

The Company lists its transactions with affiliates on Schedule Y, Part 2. There were no non-insurance transactions between the Company and any affiliates, which exceeded one-half of 1% of admitted assets.

C. Change in terms of inter-company arrangements - Not applicable

D. Amounts Due to or from Related Parties:

Amounts shown on Page 2, Line 21 and/or Page 3, Line 19 include balances owed to and from affiliates relate to inter-company pooling arrangements (see footnote 26) and Inter-company Cash Management Agreements.

E. Guarantees or Contingencies for Related Parties - Not applicable

F. Management, Service Contracts, Cost Sharing Agreements:

The Company receives certain accounting, management and other services from an insurance affiliate. Management fees are charged as part of a cost sharing agreement approved by the state of domicile.

G. Nature of Relationships that could affect operations:

The Company is owned by FMIC Holdings Inc., a wholly owned subsidiary of Factory Mutual Insurance Company.

H. Amounts deducted for Investment in Upstream Company:

The Company does not own shares, directly or indirectly, of an upstream intermediate or parent.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable

J. Write-down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - Not applicable

K. The Company does not own any foreign subsidiaries, therefore this disclosure regarding interest rates and mortality assumptions used in connection with calculating an investment in a foreign subsidiary by adjusting annuity GAAP account value reserves using CARVM and the related Actuarial Guidelines is not applicable.

L. The Company does not own any downstream non-insurance holding companies, therefore this disclosure regarding utilizing the look-through approach for the valuation of a downstream non-insurance holding company is not applicable.

Note 11 – Debt

A. Capital Notes – Not applicable

B. All other Debt – Not applicable

Note 12 – Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. Defined Benefit Plans

The Company participates in non-contributory retirement income plans and a post-retirement benefit plan covering substantially all employees. The plan is sponsored by Factory Mutual Insurance Company (NAIC #21482), a member of an Insurance Holding Company System. See Note 12D.

B. Defined Contribution Plans

The Company participates in a savings plan covering substantially all employees. Company contributions to the plan were $1,512,000 in 2007 and $1,434,000 in 2006. The Plan is sponsored by Factory Mutual Insurance Company (NAIC #21482), a member of an Insurance Holding Company System. See Note 12D.

C. Multiemployer Plans - Not applicable

D. Consolidated/Holding Company Plans

Employees of the Company participate in both non-contributory retirement income plans and a post-retirement benefit plan. The Company has no legal obligation for benefits under the plans and the net expense relating to the plans in 2007 was $6,225,840.

E. Post-employment benefits and compensated absences - Not applicable

F. Impact of Medicare Modernization Act on Postretirement Benefits - Not applicable

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

1. Outstanding Shares

The Company has outstanding 72,500 shares of 7% cumulative preferred stock. Detailed support is shown on Schedule Y, Part 1. As of December 31, 2007, there were no accrued dividends outstanding.

2. Dividend Rate of Preferred Stock – 7% cumulative.

NOTES TO FINANCIAL STATEMENTS

Note 13 – Capital and Surplus, Shareholders' Dividend Restriction and Quasi-Reorganizations (con't)

3. 4. & 5. Dividend Restrictions, Amount of Ordinary Dividends that may be paid, & Restrictions on Unassigned Funds
The maximum amount of dividends, which can be paid by State of Rhode Island insurance companies to shareholders without prior approval of the Insurance Commissioner, is subject to restrictions relating to statutory surplus and net income. The maximum dividend payout which may be made without prior approval in 2007 is the lesser of:

a. 10% of surplus as regards policyholders as of the 31st day of December next preceding, or

b. Net income, not including realized gains, for the twelve month period ending the 31st day of December next preceding, but shall not include pro rata distributions of any class of the insurer's own securities.
The maximum dividend payout, which may be made without prior approval in 2007, is $57,199,240.

6. Mutual Surplus Advances – Not applicable

7. & 8. Changes in Special Surplus Funds and Company Stock Held for Special Purposes – Not applicable

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and losses is $11,472,000. This unrealized gain is not net of the applicable deferred tax liability of $4,460,000.

10. Surplus Notes - Not applicable.

11. & 12. Quasi-Reorganizations - Not applicable

13. Dividends Paid - The Company paid two ordinary dividends of $87,500 each on April 1, 2007 and October 1, 2007.

Note 14 – Contingencies

A. Contingent Commitments – Not applicable

B. Guaranty Fund and Other Assessments – Not applicable

C. Gain Contingencies – Not applicable

D. Extra Contractual Obligations and Bad Faith Losses - Not applicable

E. All other Contingencies
Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

Note 15 – Leases – Not applicable

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

A. Financial Instruments with off-balance sheet risk – Not applicable

B. Financial Instruments with concentrations of credit risk – Not applicable

Note 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

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities with a fair value of $165,054,000 and $254,631,000 at December 31, 2007 and December 31, 2006, respectively. Borrowers of these securities must deposit an amount of cash and/or securities equal to 102 percent of the fair value of the securities, plus interest. The Company continues to receive the interest on the loaned debt securities as a beneficial owner, and the loaned debt securities are included in the investment portfolio of the Company.

C. Wash Sales – Not applicable

Note 18 – Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans - Not applicable

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

As understood by the definition of "Managing General Agent" contained in Appendix A-225 of the NAIC Accounting Practices and Procedures Manual, Affiliated FM Insurance Company has no managing general agents.

Note 20 – Other items

A. Extraordinary items – Not applicable

B. Troubled Debt Restructuring for Debtors – Not applicable

C. Other Disclosures

The Company records Canadian activity in Canadian dollars in the Annual Statement. The net balance of Canadian assets and liabilities which represent a portion of the Company's surplus, is adjusted to U.S. dollars through the "change in foreign exchange adjustment" line on page 4, line 24. This has the effect of converting total surplus to U.S. Dollars.

D. Uncollectible Premiums Receivable – Not applicable

E. Business Interruption Insurance Recoveries – Not applicable

F. State Transferable Tax Credits - Not applicable

G. Admitted Deposits under Internal Revenue Code Section 6603 - Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 20 – Other items (con't)

H. Hybrid Securities - Not applicable

I. Subprime Mortgage Related Risk Exposure

Note 21 – Events Subsequent

There were no events occurring subsequent to December 31, 2007 meriting disclosure.

Note 22 – Reinsurance

A. Unsecured Reinsurance Recoverable –

NAIC CODE	FEDERAL ID	COMPANY	UNSECURED AMOUNT
19232	36-0719665	Allstate Insurance Company	$ 23,696,000
25070	13-2781282	Clearwater Insurance Company	22,181,000
11551	99-0360327	Endurance Reinsurance Corp of America	27,979,000
26921	22-2005057	Everest Reinsurance Corporation	43,113,000
00000	AA-9995022	Excess& Casualty Reinsurance Assoc	33,630,000
20583	13-1290712	XL Reinsurance America Inc.	29,660,000

B. Reinsurance Recoverable in Dispute – Not applicable

C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Reserve Premium (1)	Equity Commission (2)	Reserve Premium (3)	Equity Commission (4)	Reserve Premium (5)	Equity Commission (6)
I. Affiliates	$ -	$ -	$ 15,989,199	$ 5,196,490	$ (15,989,199)	$ (5,196,490)
II. All Other	$1,617,122	$ 161,146	$ 55,520,344	$ 14,246,955	$ (53,903,222)	$ (14,085,809)
III. TOTAL	$1,617,122	$ 161,146	$ 71,509,543	$ 19,443,445	$ (69,892,421)	$ (19,282,299)
IV. Direct Unearned Premium Reserve $298,854,762						

Description	Direct	REINSURANCE Assumed	REINSURANCE Ceded	Net
	(1)	(2)	(3)	(4)
(i) Contingent Commission	-	-	-	-
(ii) Sliding Scale Adjustment	-	-	-	-
(iii) Other Profit Commission Arrangements	-	-	-	-
(iv) TOTAL	-	-	-	-

D. Uncollectible Reinsurance

The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of: $ 158,514 which is reflected as:

Statement of Income Account	**Amount**
Losses Incurred	$ 53,979
Loss adjustment expenses incurred	104,535
Premiums Earned	-
Other	-
Total	$ 158,514

Reinsurer	**Amount**
AA Mutual Insurance Co. Ltd	$ (76,110)
American Mutual Liability Ins Co	5,050
Bermuda Fire & Marine Ins Co Ltd	7,033
Bryanston Insurance Co Ltd	(165)
Cambridge Reins Ltd.	58
Commercial Compensation	132
Consolidated Mutual Insurance Com.	860
Covenant Insurance Company	949
Delta	166
Dominion Insurance Co of America	3,019
English & American	16
Excess & Casualty Reinsurance Association	(141,196)
Folksam International Insurance Co	(430)
Fremont Indemnity Company	161,763
Highlands Insurance Company	112,609
Home Insurance Company	264
Imperial Insurance Co. Ltd.	186
Mentor Insurance Co (UK)	12,500
Mentor (Bermuda)	6,827
Mutual Reinsurance Company Ltd.	10,825
National Automobile & Casualty Ins	186
Riverplate Reinsurance Co, Ltd	41,982
Scan Reinsurance	34
Walbrook Insurance Co Ltd	11,956
Total	$ 158,514

NOTES TO FINANCIAL STATEMENTS

Note 22 – Reinsurance (con't)

E. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

Statement of Income Account	Amount
Losses and Lae Incurred	$ 0
Premiums Earned	
Other	
Total	$ 0
Reinsurer	**Amount**
	$ 0

F. Retroactive Reinsurance – Not applicable

G. Reinsurance Accounted for as a Deposit - Not applicable

Note 23 – Retrospectively Rated Contracts and Contracts Subject to Re determination – Not applicable

Note 24 – Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by $22,320,000 due to reallocating prior year reserves to the current year principally on the Fire and Allied lines of insurance.

No additional premiums or return of premiums have been accrued as a result of prior-year effects.

Note 25 – Intercompany Pooling Arrangements

Factory Mutual Insurance Company, NAIC Code 21482, Affiliated FM Insurance Company, NAIC Code 10014, and Appalachian Insurance Company, NAIC Code 10316, are members of the FM Global Group and have entered into a Tripartite Quota Share Pooling Agreement. The agreement became effective January 1, 1982.

All business written by each of the pool participants is subject to pooling. Also, reinsurance may be ceded on a facultative and/or treaty basis by any pool participant prior to pooling. There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants. Each pool participant establishes its respective provision for reinsurance Schedule F - Part 7 and the write-off of uncollectible reinsurance for its own facultative and treaty cessions. Uncollectible reinsurance has been furnished to insurance departments of those states where the company is licensed.

The parties agreed to pool net premiums earned, net losses and loss adjustment expenses incurred, and other underwriting expenses incurred. Each company agreed to cede and/or assume from the others that amount of net premium earned, reported in the NAIC Annual Statement, Page 4, Line 1, net losses and loss adjustment expenses incurred included in the NAIC Annual Statement, Page 4 Lines 2 and 3 and other underwriting expenses incurred reported in the NAIC Annual Statement, Page 4, Line 4, required to bring its share to the agreed upon percentage of the total. The current pooling percentages, amended as of January 1, 2005, are 86% Factory Mutual Insurance Company, 12% Affiliated FM Insurance Company, and 2% Appalachian Insurance Company.

The percentages represent the policyholder's surplus of each company to the combined policyholder's surplus for the three companies.

The pooling activity is recorded and settled as current accident and occurrence year transactions for Schedule P reporting purposes. The pooling results are considered as written and earned in the current accident year. The pooling results of losses and loss adjustment expenses paid and incurred are reflected in the current occurrence year.

The pooling results are reported in reinsurance lines 30-32 on the Underwriting and Investment Exhibit pages 6-10 and on Schedule P.

The Combined Annual Statement eliminates the results of all inter-company activity.

Note 26 – Structured Settlements – Not applicable

Note 27 – Health Care Receivables – Not applicable

Note 28 – Participating Polices – Not applicable

Note 29 – Premium Deficiency Reserves – Not applicable

Note 30 – High Deductibles – Not applicable

Note 31 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjusting Expenses – Not applicable

Note 32 – Asbestos and Environmental Reserves

The Company has potential exposure involving asbestos, environmental impairment liability, and other types of tort-related claims, which applies only to the casualty and assumed reinsurance business now in runoff. Management has indicated that liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and the Company's liabilities can be reasonably estimated. Additional reserves for such claims are established to cover further exposures on both known and unasserted claims based on facts currently known and the present state of the law and coverage litigation. The reserves for these types of claims are included in the foregoing loss and loss adjustment expense reserves and subject to considerable certainty, due to the potential severity of the claims and the uncertain legal climate.

NOTES TO FINANCIAL STATEMENTS

Note 32 – Asbestos and Environmental Reserves (con't)

Direct - Asbestos	2003	2004	2005	2006	2007
Beginning reserves:	$ 166,774,000	$ 132,375,000	$ 256,568,000	$ 255,269,000	$ 272,940,000
Incurred losses & loss adjustment expense:	20,500,000	129,500,000	6,054,000	36,269,000	-
Calendar year payments for losses & loss adjustment expense:	54,899,000	5,307,000	7,353,000	18,598,000	10,193,000
Ending Reserves:	$ 132,375,000	$ 256,568,000	$ 255,269,000	$ 272,940,000	$ 262,747,000

Assumed Reinsurance - Asbestos	2003	2004	2005	2006	2007
Beginning reserves:	$ -	$ -	$ -	$ -	$ -
Incurred losses & loss adjustment expense:	-	-	-	-	-
Calendar year payments for losses & loss adjustment expense:	-	-	-	-	-
Ending Reserves:	$ -	$ -	$ -	$ -	$ -

Net of Ceded Reinsurance – Asbestos	2003	2004	2005	2006	2007
Beginning reserves:	$ 44,499,000	$ 54,116,000	$ 90,893,000	$ 89,290,000	$ 110,072,000
Incurred losses & loss adjustment expense:	24,749,000	41,800,000	(631,000)	30,978,000	360,000
Calendar year payments for losses & loss adjustment expense:	15,132,000	5,023,000	972,000	10,196,000	(1,963,000)
Ending Reserves:	$ 54,116,000	$ 90,893,000	$ 89,290,000	$ 110,072,000	$ 112,395,000

Direct - Environmental	2003	2004	2005	2006	2007
Beginning reserves:	$ 10,246,000	$ 24,577,000	$ 44,563,000	$ 44,138,000	$ 46,121,000
Incurred losses & loss adjustment expense:	19,948,000	20,000,000	(1,637,000)	2,395,000	-
Calendar year payments for losses & loss adjustment expense:	5,617,000	14,000	(1,212,000)	412,000	678,000
Ending Reserves:	$ 24,577,000	$ 44,563,000	$ 44,138,000	$ 46,121,000	$ 45,443,000

Assumed Reinsurance - Environmental	2003	2004	2005	2006	2007
Beginning reserves:	$ -	$ -	$ -	$ -	$ -
Incurred losses & loss adjustment expense:	-	-	-	-	-
Calendar year payments for losses & loss adjustment expense:	-	-	-	-	-
Ending Reserves:	$ -	$ -	$ -	$ -	$ -

Net of Ceded Reinsurance - Environmental	2003	2004	2005	2006	2007
Beginning reserves:	$ 3,175,000	$ 10,938,000	$ 14,626,000	$ 17,458,000	$ 18,965,000
Incurred losses & loss adjustment expense:	8,510,000	3,600,000	3,163,000	1,679,000	368,000
Calendar year payments for losses & loss adjustment expense:	747,000	(88,000)	331,000	172,000	357,000
Ending Reserves:	$ 10,938,000	$ 14,626,000	$ 17,458,000	$ 18,965,000	$ 18,976,000

Included in reserves above, the Company holds IBNR and/or bulk reserves. It held such reserves in the amount of $142,411,000 (Asbestos) and $31,012,000 (Environmental) on a direct basis and $64,899,000 (Asbestos) and $13,129,000 (Environmental) on a net basis at December 31, 2007.

Included in the reserves above, the Company holds future allocated loss adjustment expense reserves. It held such reserves in the amount of $50,409,000 (Asbestos) and $9,799,000 (Environmental) on a direct basis and $19,523,000 (Asbestos) and $3,667,000 (Environmental) on a net basis at December 31, 2007.

Note 33 – Subscriber Savings Accounts – Not Applicable

Note 34 – Multi Peril Crop Insurance – Not Applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	122,666,107	11.0	122,666,107	11.0
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	33,434,501	3.0	33,434,501	3.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations	4,633,501	0.4	4,633,501	0.4
1.44 Industrial development and similar obligations		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	111,501	0.0	111,501	0.0
1.512 Issued or guaranteed by FNMA and FHLMC	262,677,548	23.5	262,677,548	23.5
1.513 All other	4,381,744	0.4	4,381,744	0.4
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.0		0.0
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
1.523 All other	225,332,350	20.1	225,332,350	20.1
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	376,396,516	33.6	376,396,516	33.6
2.2 Unaffiliated foreign securities	54,855,162	4.9	54,855,162	4.9
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated	27,768,761	2.5	27,768,761	2.5
3.4 Other equity securities:				
3.41 Affiliated		0.0		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		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
5.3 Property held for sale (including $.....0 property acquired in satisfaction of debt)		0.0		0.0
6. Contract loans		0.0		0.0
7. Receivables for securities	2,150,476	0.2	2,150,476	0.2
8. Cash, cash equivalents and short-term investments	5,396,065	0.5	5,396,065	0.5
9. Other invested assets		0.0		0.0
10. Total invested assets	1,119,804,232	100.0	1,119,804,232	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? Rhode Island

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). 04/28/2006

3.4 By what department or departments? Rhode Island Division of Insurance

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 Name of Entity	2 NAIC Co. Code	3 State of Domicile

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

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control. .....%

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 Nationality	2 Type of Entity

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

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

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

8.4 If response to 8.3 is yes, please provide the names and 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 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP 200 Clarendon Street, Boston MA 02116-5072

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?
John Dawson, Senior Consulting Actuary, Ernst & Young, LLP 200 Clarendon Street, Boston, MA 02116-5072

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 .....

11.13 Total book/adjusted carrying value .....

11.2 If yes, provide explanation.

12. 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 [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

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 [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 [X]

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 [X]

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

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 [X]

20.2 If answer is yes:
20.21 Amount paid as losses or risk adjustment .....
20.22 Amount paid as expenses .....
20.23 Other amounts paid .....

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

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. $.....61,690,698

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 [X]

22.2 If no, give full and complete information relating thereto.
JP Morgan Worldwide Securities Services and RBC (Toronto) hold custody of the securities.

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 contact that is currently in force? (Exclude securities subject to Interrogatory 19.1) Yes [X] No [ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
23.21 Loaned to others $.....165,054,241
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 $.....0
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 $.....5,544,597
23.291 Other $.....0

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

GENERAL INTERROGATORIES

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: .....

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 [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Worldwide Securities Service	1 Chase Manhatten Plaza New York, NY
RBC/Royal Trust	200 Bay Street Toronto, Ontario, Canada

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

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 Old Custodian	2 New Custodian	3 Date of Change	4 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 Central Registration Depository Number(s)	2 Name	3 Address
RBC/Royal Trust	Jones Heward Investment Counsel	Toronto, Ontario, Canada

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 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
27.2999. TOTAL		0

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

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

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 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	1,092,329,160	1,101,737,215	9,408,055
28.2 Preferred stocks			0
28.3 Totals	1,092,329,160	1,101,737,215	9,408,055

28.4 Describe the sources or methods utilized in determining the fair values:
Bonds are priced by the NAIC for fair value calculations

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? $.....24,347

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 Name	2 Amount Paid
American Association of Insurance	6,675

31.1 Amount of payments for legal expenses, if any? $.....690

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 Name	2 Amount Paid
US Citizenship and Immigration Services	690

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $.....0

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 Name	2 Amount Paid

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. .....
1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
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. .....
1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....
1.6 Individual policies:
Most current three years:
1.61 Total premium earned .....
1.62 Total incurred claims .....
1.63 Number of covered lives .....
All years prior to most current three years:
1.64 Total premium earned .....
1.65 Total incurred claims .....
1.66 Number of covered lives .....
1.7 Group policies:
Most current three years:
1.71 Total premium earned .....
1.72 Total incurred claims .....
1.73 Number of covered lives .....
All years prior to most current three years:
1.74 Total premium earned .....
1.75 Total incurred claims .....
1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	$.....0	$.....0
2.2 Premium Denominator	$.....328,843,764	$.....326,327,377
2.3 Premium Ratio (2.1/2.2)	.....0.0	.....0.0
2.4 Reserve Numerator	$.....0	$.....0
2.5 Reserve Denominator	$.....565,743,262	$.....573,982,795
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 $.....1,386,195
3.22 Non-participating policies $.....607,925,640

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

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 [X]
5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]
5.3 What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred? Yes [ ] No [ ]
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?
Affiliated FM does not issue Workers' Compensation contracts.

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:
We use proprietary models that we developed to model our catastrophe exposures in hurricane and earthquake prone areas where we have concentrations of business.
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?
In addition to controlling our exposure by loss prevention engineering, deductibles and limits of liabilit, we purchase per risk and catastrophe reinsurance treaties.
6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]
6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
7.2 If yes, indicate the number of reinsurance contracts containing such provisions. .....
7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

GENERAL INTERROGATORIES (continued)

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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 [ ] No [X]

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 $.....0
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $.....0

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: $.....0

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 [ ] N/A [X]

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

12.41 From .....%
12.42 To .....%

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 [ ] No [X]

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

12.61 Letters of credit .....
12.62 Collateral and other funds .....

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $.....57,200,000

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. 2

GENERAL INTERROGATORIES (continued)

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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:
Based on Intercompany Excess of Loss Treaty. Maximum retention is based on Largest Net Aggregate.

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 [X] No [ ]

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

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

* Disclose type of coverage:

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

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	$272,000
17.12 Unfunded portion of Interrogatory 17.11	$272,000
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	$272,000
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

FIVE-YEAR HISTORICAL DATA

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

		1 2007	2 2006	3 2005	4 2004	5 2003
	Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
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)	110	110	112	109	92
2.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	489,113,497	479,454,142	415,670,418	416,949,361	436,551,717
3.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	122,909,262	124,335,731	104,363,610	83,264,842	63,176,267
4.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)			(987)	18,639	(1,411,861)
5.	Non-proportional reinsurance lines (Lines 30, 31 & 32)					
6.	Total (Line 34)	612,022,869	603,789,983	520,033,153	500,232,951	498,316,215
	Net Premiums Written (Page 8, Part 1B, Col. 6)					
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)	110	110	112	109	92
8.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	369,462,413	352,510,253	321,193,085	321,519,804	310,256,984
9.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	72,562,673	75,469,001	61,156,432	42,564,939	29,499,561
10.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)			(987)	18,639	(1,397,179)
11.	Non-proportional reinsurance lines (Lines 30, 31 & 32)	(108,347,434)	(80,711,677)	(50,284,316)	(209,491,787)	(228,679,533)
12.	Total (Line 34)	333,677,762	347,267,687	332,064,326	154,611,704	109,679,925
	Statement of Income (Page 4)					
13.	Net underwriting gain (loss) (Line 8)	98,612,113	79,975,893	68,149,700	37,000,274	24,799,116
14.	Net investment gain (loss) (Line 11)	58,778,172	49,951,857	42,581,023	28,367,348	22,995,805
15.	Total other income (Line 15)	(37,712)	(733,735)	(107,059)	(60,476)	(409,982)
16.	Dividends to policyholders (Line 17)	292,967	269,267	245,702	222,028	196,783
17.	Federal and foreign income taxes incurred (Line 19)	56,078,535	49,681,265	41,900,095	24,091,686	18,394,306
18.	Net income (Line 20)	100,981,071	79,243,483	68,477,867	40,993,432	28,793,850
	Balance Sheet Lines (Pages 2 and 3)					
19.	Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,361,223,254	1,275,125,439	1,112,345,376	949,589,557	765,705,971
20.	Premiums and considerations (Page 2, Col. 3):					
	20.1 In course of collection (Line 13.1)	91,528,924	97,393,017	91,740,133	90,308,002	82,183,202
	20.2 Deferred and not yet due (Line 13.2)					
	20.3 Accrued retrospective premiums (Line 13.3)					
21.	Total liabilities excluding protected cell business (Page 3, Line 24)	685,718,337	703,133,042	623,084,427	529,575,590	565,282,279
22.	Losses (Page 3, Line 1)	296,032,596	306,447,495	263,595,807	204,253,047	198,112,043
23.	Loss adjustment expenses (Page 3, Line 3)	35,961,512	39,287,444	30,047,782	30,797,164	11,424,143
24.	Unearned premiums (Page 3, Line 9)	228,962,342	224,128,345	203,188,035	183,247,603	168,705,009
25.	Capital paid up (Page 3, Lines 28 & 29)	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
26.	Surplus as regards policyholders (Page 3, Line 35)	675,504,917	571,992,397	489,260,949	420,013,967	200,423,692
	Cash Flow (Page 5)					
27.	Net cash from operations (Line 11)	104,231,654	162,153,832	168,474,835	41,955,482	105,745,314
	Risk-Based Capital Analysis					
28.	Total adjusted capital	675,504,916	571,992,397	489,260,949	420,013,967	200,423,692
29.	Authorized control level risk-based capital	55,990,667	54,774,532	57,645,229	47,998,193	43,555,158
	Percentage Distribution of Cash, Cash Equivalents and Invested Assets					
	(Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30.	Bonds (Line 1)	96.8	92.7	92.6	93.6	90.6
31.	Stocks (Lines 2.1 & 2.2)	2.5	2.6	2.7	2.7	6.0
32.	Mortgage loans on real estate (Lines 3.1 & 3.2)					
33.	Real estate (Lines 4.1, 4.2 & 4.3)					
34.	Cash, cash equivalents and short-term investments (Line 5)	0.5	4.6	4.5	3.3	2.8
35.	Contract loans (Line 6)					
36.	Other invested assets (Line 7)					
37.	Receivable for securities (Line 8)	0.2	0.1	0.3	0.4	0.6
38.	Aggregate write-ins for invested assets (Line 9)					
39.	Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
	Investments in Parent, Subsidiaries and Affiliates					
40.	Affiliated bonds (Sch. D, Summary, Line 25, Col. 1)					
41.	Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42.	Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					6,675,809
43.	Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
44.	Affiliated mortgage loans on real estate					
45.	All other affiliated					
46.	Total of above lines 40 to 45	0	0	0	0	6,675,809
47.	Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	0.0				3.3

FIVE-YEAR HISTORICAL DATA

(Continued)

		1 2007	2 2006	3 2005	4 2004	5 2003
	Capital and Surplus Accounts (Page 4)					
48.	Net unrealized capital gains (losses) (Line 24)	(503,779)	1,358,579	2,658,274	(5,695,606)	4,171,627
49.	Dividends to stockholders (Line 35)	(507,500)	(507,500)	(507,500)	(507,500)	(507,500)
50.	Change in surplus as regards policyholders for the year (Line 38)	103,512,519	82,731,447	69,246,983	219,590,275	30,572,667
	Gross Losses Paid (Page 9, Part 2, Cols. 1&2)					
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)	7,964,776	20,899,070	4,288,404	6,808,799	60,905,417
52.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	226,498,648	204,566,011	138,546,992	98,293,912	104,466,978
53.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	61,606,062	42,703,585	19,306,015	58,851,464	13,288,726
54.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	44,931	207,066	6,284,382	3,723,615	2,559,215
55.	Nonproportional reinsurance lines (Lines 30, 31 & 32)	32,334	36,846		105,154	39,156,170
56.	Total (Line 34)	296,146,751	268,412,578	168,425,793	167,782,944	220,376,506
	Net Losses Paid (Page 9, Part 2, Col. 4)					
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)	(2,214,513)	9,335,842	44,494	3,702,013	5,848,869
58.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	158,102,161	130,689,422	100,327,542	68,761,388	77,520,648
59.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	44,789,342	27,977,930	9,744,315	44,583,987	7,750,559
60.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	61,088	207,066	3,438,382	3,418,655	2,579,217
61.	Nonproportional reinsurance lines (Lines 30, 31 & 32)	(59,568,719)	(55,956,210)	(16,845,478)	(65,526,216)	(114,366,206)
62.	Total (Line 34)	141,169,359	112,254,050	96,709,255	54,939,827	(20,666,913)
	Operating Percentages (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)	39.8	47.5	50.0	43.6	40.8
65.	Loss expenses incurred (Line 3)	4.8	3.8	3.4	6.0	3.5
66.	Other underwriting expenses incurred (Line 4)	25.4	24.2	24.8	24.0	23.3
67.	Net underwriting gain (loss) (Line 8)	30.0	24.5	21.8	26.4	32.4
	Other Percentages					
68.	Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	25.1	22.9	23.4	21.8	16.6
69.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	44.6	51.3	53.4	49.6	44.3
70.	Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0)	49.4	60.7	67.9	36.8	54.7
	One Year Loss Development (000 omitted)					
71.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(22,320)	59,960	(18,525)	46,094	47,943
72.	Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100)	(3.9)	12.3	(4.4)	23.0	28.2
	Two Year Loss Development (000 omitted)					
73.	Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	59,097	23,330	40,964	108,548	116,035
74.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	12.1	5.6	20.4	63.9	81.9

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	122,777,608	128,886,981	122,280,159	124,756,938
Governments	2. Canada	33,434,501	34,153,279	33,498,139	33,055,000
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	156,212,109	163,040,260	155,778,298	157,811,938
	5. United States				
States, Territories and Possessions	6. Canada	24,994,840	25,320,544	25,080,642	23,943,834
(Direct and guaranteed)	7. Other Countries				
	8. Totals	24,994,840	25,320,544	25,080,642	23,943,834
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States	263,736,558	265,503,963	264,105,790	266,427,835
Obligations and all Non-guaranteed Obligations	14. Canada	3,574,491	3,573,180	3,574,111	1,035,000
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	267,311,049	269,077,143	267,679,901	267,462,835
	17. United States				
Public Utilities	18. Canada	551,509	553,056	553,056	498,756
(Unaffiliated)	19. Other Countries				
	20. Totals	551,509	553,056	553,056	498,756
Industrial and Miscellaneous and	21. United States	602,172,530	602,896,091	608,982,631	599,510,106
Credit Tenant Loans	22. Canada	32,750,988	32,525,001	32,839,503	32,685,239
(Unaffiliated)	23. Other Countries	495,905	484,890	494,480	500,000
	24. Totals	635,419,423	635,905,982	642,316,614	632,695,345
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	1,084,488,930	1,093,896,985	1,091,408,511	1,082,412,708
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States				
Industrial and Miscellaneous	50. Canada	27,768,761	27,768,761	16,295,548	
(Unaffiliated)	51. Other Countries				
	52. Totals	27,768,761	27,768,761	16,295,548	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	27,768,761	27,768,761	16,295,548	
	55. **Total Stocks**	27,768,761	27,768,761	16,295,548	
	56. **Total Bonds and Stocks**	1,112,257,691	1,121,665,746	1,107,704,059	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year		1,012,901,092
2. Cost of bonds and stocks acquired, Column 7, Part 3		406,114,641
3. Accrual of discount		1,019,881
4. Increase (decrease) by adjustment:		
4.1 Columns 12 - 14, Part 1	(57,611)	
4.2 Columns 15 - 17, Part 2, Section 1		
4.3 Column 15, Part 2, Section 2	2,819,285	
4.4 Columns 11 - 13, Part 4	(2,274,443)	487,231
5. Total gain (loss), Column 19, Part 4		1,572,882
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4		307,332,174
7. Amortization of premium		2,505,862
8. Foreign exchange adjustment:		
8.1 Column 15, Part 1		
8.2 Column 19, Part 2, Section 1		
8.3 Column 16, Part 2, Section 2		
8.4 Column 15, Part 4		0
9. Book/adjusted carrying value at end of current period		1,112,257,691
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		1,112,257,691
12. Total nonadmitted amounts		
13. Statement value of bonds and stocks, current year		1,112,257,691

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

($000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported-Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX	7,939	10,044	3,216	1,333	745	61	30	462	XXX
2. 1998	98,154	61,885	36,269	137,480	114,322	1,226	2,963	8,439	2,734	6,240	27,125	XXX
3. 1999	102,585	78,105	24,480	66,293	44,199	2,197	1,982	5,467	1,091	1,437	26,684	XXX
4. 2000	137,058	109,274	27,784	86,285	83,660	1,172	3,750	7,189	1,965	2,791	5,270	XXX
5. 2001	194,879	164,152	30,727	130,965	112,817	4,148	1,935	10,259	1,935	10,108	28,685	XXX
6. 2002	352,841	287,756	65,085	112,081	155,431	3,496	4,079	9,814	8,806	4,977	(42,925)	XXX
7. 2003	460,612	384,128	76,484	154,188	182,422	1,105	2,110	11,362	8,880	2,749	(26,756)	XXX
8. 2004	499,313	359,245	140,068	142,957	122,143	1,486	5,629	13,963	23,448	2,141	7,187	XXX
9. 2005	498,033	185,908	312,125	302,822	120,362	4,406	85	17,498	6,440	1,975	197,840	XXX
10. 2006	572,453	246,126	326,327	165,081	101,403	572	3,200	14,268	14,688	2,076	60,630	XXX
11. 2007	612,522	283,678	328,844	110,949	85,749	135	1,174	13,699	5,437	532	32,423	XXX
12. Totals	XXX	XXX	XXX	1,417,038	1,132,552	23,159	28,240	112,704	75,485	35,055	316,625	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22		Total	
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Net Losses and Expenses Unpaid	Number of Claims Outstanding-Direct and Assumed
1. Prior	86,114	51,209	207,426	115,175	12,930	8,167	51,721	32,670	2,345			153,315	XXX
2. 1998												0	XXX
3. 1999												0	XXX
4. 2000	4											4	XXX
5. 2001	846											846	XXX
6. 2002	1,993	1,410	9,377									9,960	XXX
7. 2003	1,486	542										944	XXX
8. 2004	5,392	3,184	1,566	1,280	106	43			479	170	86	2,866	XXX
9. 2005	13,123	11,135	20,747	15,924	359	127			1,441	511	618	7,973	XXX
10. 2006	14,916	2,757	6,927	694	323	126			1,422	504	636	19,507	XXX
11. 2007	110,332	25,702	53,687	8,891	1,885	836			9,452	3,347	4,275	136,580	XXX
12. Totals	234,206	95,939	299,730	141,964	15,603	9,299	51,721	32,670	15,139	4,532	5,615	331,995	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	127,156	26,159
2. 1998	147,144	120,019	27,125	149.9	193.9	74.8			12.00	0	0
3. 1999	73,956	47,272	26,684	72.1	60.5	109.0			12.00	0	0
4. 2000	94,650	89,376	5,274	69.1	81.8	19.0			12.00	4	0
5. 2001	146,218	116,687	29,531	75.0	71.1	96.1			12.00	846	0
6. 2002	136,761	169,726	(32,965)	38.8	59.0	(50.6)			12.00	9,960	0
7. 2003	168,141	193,953	(25,812)	36.5	50.5	(33.7)			12.00	944	0
8. 2004	165,949	155,896	10,053	33.2	43.4	7.2			12.00	2,494	372
9. 2005	360,397	154,584	205,813	72.4	83.2	65.9			12.00	6,811	1,162
10. 2006	203,509	123,372	80,137	35.6	50.1	24.6			12.00	18,392	1,115
11. 2007	300,139	131,136	169,003	49.0	46.2	51.4			12.00	129,426	7,154
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	296,033	35,962

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 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007	11 One Year	12 Two Year
1. Prior	46,942	42,074	63,048	73,995	123,062	166,011	231,165	230,732	272,586	271,723	(863)	40,991
2. 1998	25,979	25,641	26,230	24,117	23,319	23,127	22,210	21,421	21,421	21,421	0	0
3. 1999	XXX	22,992	24,252	23,422	24,666	23,773	22,861	22,308	22,308	22,308	0	0
4. 2000	XXX	XXX	(8,440)	(1,399)	5,662	5,166	1,197	50	50	50	0	0
5. 2001	XXX	XXX	XXX	9,418	23,958	27,513	24,612	21,206	21,206	21,206	0	(0)
6. 2002	XXX	XXX	XXX	XXX	(39,875)	(36,854)	(32,705)	(33,973)	(33,973)	(33,973)	0	(0)
7. 2003	XXX	XXX	XXX	XXX	XXX	(16,251)	(30,761)	(28,295)	(28,295)	(28,295)	0	0
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	32,623	19,228	19,228	19,228	0	0
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	175,720	193,825	193,825	0	18,105
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	101,096	79,639	(21,457)	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	154,636	XXX	XXX
										12. Totals	(22,320)	59,097

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 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	8,888	16,252	31,338	59,057	67,695	109,109	109,158	120,975	120,753	XXX	XXX
2. 1998	(3)	19,039	22,791	21,430	21,728	22,030	21,303	20,764	21,421	21,421	XXX	XXX
3. 1999	XXX	1,531	15,147	19,757	22,913	23,293	22,691	22,152	22,218	22,308	XXX	XXX
4. 2000	XXX	XXX	(32,537)	(8,534)	(726)	1,160	1,049	45	46	46	XXX	XXX
5. 2001	XXX	XXX	XXX	(36,223)	(3,374)	13,737	19,937	19,521	19,990	20,360	XXX	XXX
6. 2002	XXX	XXX	XXX	XXX	(89,776)	(62,925)	(49,345)	(46,494)	(43,938)	(43,933)	XXX	XXX
7. 2003	XXX	XXX	XXX	XXX	XXX	(75,195)	(44,246)	(31,769)	(29,570)	(29,239)	XXX	XXX
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	(37,916)	6,389	15,619	16,671	XXX	XXX
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	41,958	134,764	186,782	XXX	XXX
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(6,455)	61,050	XXX	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	24,161	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 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007
1. Prior	15,840	13,272	28,747	24,622	37,729	80,242	102,676	89,715	113,428	111,302
2. 1998	2,758	622	323	257						
3. 1999	XXX	2,018	907	302	1					
4. 2000	XXX	XXX	2,473	537	3,759	4,003				
5. 2001	XXX	XXX	XXX	5,851	9,545	4,339	2,305			
6. 2002	XXX	XXX	XXX	XXX	15,714	8,739	10,182	10,182	9,235	9,377
7. 2003	XXX	XXX	XXX	XXX	XXX	14,891	3,444	515	298	
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	16,235	3,071	711	286
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	41,145	20,088	4,823
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	30,573	6,233
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	44,796

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (YES or NO)	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken: 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
1. Alabama AL	YES	5,268,531	5,235,678	907	1,035,985	383,458	365,681		
2. Alaska AK	YES	4,133,022	4,049,946		203,240	180,316	18,819		
3. Arizona AZ	YES	6,197,992	5,174,925	353	1,315,342	867,868	1,171,194		
4. Arkansas AR	YES	7,212,789	6,761,117	155	19,692,819	20,521,512	1,333,381		
5. California CA	YES	86,060,907	83,288,818	45,783	33,269,953	36,437,324	34,408,650		
6. Colorado CO	YES	719,353	3,584,970	1,298	2,329,653	1,414,236	1,067,390		
7. Connecticut CT	YES	4,169,562	3,888,303	4,263	3,229,726	2,304,814	3,379,786		
8. Delaware DE	YES	292,626	401,656	147	62,792	21,118	41,575		
9. District of Columbia DC	YES	2,456,281	2,309,641		764,466	835,415	251,597		
10. Florida FL	YES	26,767,814	25,041,821	13,516	7,786,799	8,577,269	11,446,051		
11. Georgia GA	YES	8,908,873	9,411,634		1,490,042	767,821	772,075		
12. Hawaii HI	YES	1,343,769	1,375,944		19,500	(2,970)	7,879		
13. Idaho ID	YES	1,803,051	2,255,165	1,719	228,819	747,127	738,956		
14. Illinois IL	YES	23,564,752	26,288,813	1,575	17,990,719	18,508,517	17,825,006		
15. Indiana IN	YES	8,844,045	8,856,245	745	5,603,995	11,678,132	9,304,417		
16. Iowa IA	YES	1,590,144	1,827,796		739,890	3,593,907	3,540,790		
17. Kansas KS	YES	2,397,732	2,369,232	292	4,357,093	5,762,119	6,625,269		
18. Kentucky KY	YES	3,657,425	3,541,555	606	116,486	791,342	1,314,951		
19. Louisiana LA	YES	9,115,264	9,195,526		32,593,028	11,391,095	10,243,303		
20. Maine ME	YES	903,582	788,420	2,496	750	149,750	149,000		
21. Maryland MD	YES	3,823,474	3,931,011	891	1,922,221	1,358,311	927,778		
22. Massachusetts MA	YES	16,965,889	16,618,173	86,468	9,488,159	776,120	32,054,747		
23. Michigan MI	YES	7,620,109	7,858,076	1,757	3,813,289	1,300,093	35,313,028		
24. Minnesota MN	YES	8,172,402	8,070,813	3,293	1,693,050	3,038,900	2,313,986		
25. Mississippi MS	YES	6,128,359	6,133,328		2,289,923	1,907,957	3,518,085		
26. Missouri MO	YES	12,350,268	12,278,403	5,129	2,984,037	1,257,763	3,043,879		
27. Montana MT	YES	890,596	999,919	259	222,263	310,000	87,737		
28. Nebraska NE	YES	622,669	661,860		119,897	945,306	867,607		
29. Nevada NV	YES	11,360,998	11,317,259	1,207	26,044,751	14,248,340	3,599,225		
30. New Hampshire NH	YES	972,263	1,000,918	2,399		118,000	118,000		
31. New Jersey NJ	YES	19,327,585	19,760,307	13,048	3,482,072	2,925,747	8,297,824		
32. New Mexico NM	YES	2,307,842	2,330,676		558,589	904,227	1,635,511		
33. New York NY	YES	45,472,819	46,230,441	4,155	24,971,525	16,133,704	176,866,476		
34. North Carolina NC	YES	8,757,866	9,060,870	1,497	2,983,995	1,743,668	1,994,579		
35. North Dakota ND	YES	282,830	438,276		111,300	111,300			
36. Ohio OH	YES	14,646,696	14,502,267	3,516	6,820,787	2,886,085	48,216,712		
37. Oklahoma OK	YES	2,783,150	2,624,082		249,185	866,025	826,591		
38. Oregon OR	YES	19,715,264	18,756,524	1,741	5,757,996	(902,201)	6,586,446		
39. Pennsylvania PA	YES	12,732,337	13,767,861	7,640	3,480,313	1,734,296	6,984,165		
40. Rhode Island RI	YES	2,849,946	2,380,396	66,488	807,278	2,766,245	3,866,350		
41. South Carolina SC	YES	3,751,474	3,965,110	1,721	337,736	816,220	716,749		
42. South Dakota SD	YES	374,327	404,864		187,352	244,570	112,710		
43. Tennessee TN	YES	12,124,797	12,138,220		2,045,318	1,058,119	2,504,450		
44. Texas TX	YES	39,563,516	40,342,931		6,941,893	8,497,145	11,345,167		
45. Utah UT	YES	6,447,530	6,439,997		2,109,588	907,135	1,391,602		
46. Vermont VT	YES	576,450	557,774	211		162,582	183,391		
47. Virginia VA	YES	4,513,680	4,815,641	3,062	4,778,278	4,920,937	2,274,341		
48. Washington WA	YES	41,930,608	41,482,387	3,454	8,517,905	12,979,193	11,928,459		
49. West Virginia WV	YES	452,660	361,825						
50. Wisconsin WI	YES	6,571,951	6,383,110	756	2,145,552	3,450,295	2,646,208		
51. Wyoming WY	YES	990,077	614,746		358,695	468,695	110,000		
52. American Samoa AS	NO								
53. Guam GU	YES								
54. Puerto Rico PR	YES	902,332	1,103,568		7,098	7,098			
55. US Virgin Islands VI	YES	146	1,113						
56. Northern Mariana Islands MP	NO								
57. Canada CN	YES	87,857,729	87,333,322	10,418	32,268,077	40,371,238	52,813,041		
58. Aggregate Other Alien OT	XXX	63,687	28,792	0	1,125	2,050	1,005	0	0
59. Totals	(a) 54	609,311,836	610,342,063	292,967	290,330,345	253,245,330	527,151,621	0	0

DETAILS OF WRITE-INS

5801.	XXX	63,687	28,792		1,125	2,050	1,005		
5802.	XXX								
5803.	XXX								
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	63,687	28,792	0	1,125	2,050	1,005	0	0

Explanation of Basis of Allocation of Premiums by States, etc.
All premiums are allocated to the location of the property insured.

(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

NAIC Code	State or Country of Domicile	Affiliated Insurers	Federal Employer's Identification Number	Percent Ownership Common Stock	Percent Ownership Preferred Stock	Owned by
21482	RI	Factory Mutual Insurance Company	05-0316605	0%	0%	Mutual Company
10014	RI	Affiliated FM Insurance Company	05-0254496	100%	65.50%	FMIC Holdings, Inc.
10014	RI	Affiliated FM Insurance Company	05-0254496	0%	34.50%	Appalachian Insurance Company
10316	RI	Appalachian Insurance Company	05-0284861	100%	0%	FMIC Holdings, Inc.
None	England	FM Insurance Company Ltd.	AA-1120610	100%	0%	Factory Mutual Insurance Company
None	Bermuda	Risk Engineering Insurance Co., Ltd.	98-0131767	100%	0%	FMIC Holdings, Inc.

NAIC Code	State or Country of Domicile	Non-insurer Affiliates	Federal Employer's Identification Number	Percent Ownership Common Stock	Percent Ownership Preferred Stock	Owned by
N/A	RI	FMIC Holdings, Inc.	None	100%	0%	Factory Mutual Insurance Company
N/A	RI	Corporate Insurance Services, Inc.	05-0453751	100%	0%	FMIC Holdings, Inc.
N/A	RI	FM Approvals, LLC	05-0520189	100%	0%	Factory Mutual Insurance Company
N/A	MA	Factory Mutual Engineering Corp.	04-6114856	100%	0%	Factory Mutual Insurance Company
N/A	MA	FMIC Real Estate Holdings Corp	04-3516894	100%	0%	Factory Mutual Insurance Company
N/A	GA	TSB Loss Control Consultants, Inc.	58-2190659	100%	0%	Factory Mutual Insurance Company

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

PART 1 - ORGANIZATIONAL CHART

2007 ALPHABETICAL INDEX

(http://www.naic.org/committees_e_app_blanks.htm)

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