19690200820100100

PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

OF THE CONDITION AND AFFAIRS OF THE

AMERICAN ECONOMY INSURANCE COMPANY

NAIC Group Code 0111 (Current Period), 0163 (Prior Period) NAIC Company Code 19690 Employer's ID Number 35-1044900

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

Country of Domicile United States

Incorporated/Organized 10/19/1959 Commenced Business 10/23/1959

Statutory Home Office 500 NORTH MERIDIAN STREET (Street and Number), INDIANAPOLIS, IN 46204 (City or Town, State and Zip Code)

Main Administrative Office 1001 FOURTH AVE, SAFECO PLAZA (Street and Number) SEATTLE, WA 98154 (City or Town, State and Zip Code) 206-545-5000 (Area Code) (Telephone Number)

Mail Address 1001 FOURTH AVE, SAFECO PLAZA (Street and Number or P.O. Box), SEATTLE, WA 98154 (City or Town, State and Zip Code)

Primary Location of Books and Records 1001 FOURTH AVE, SAFECO PLAZA (Street and Number) SEATTLE, WA 98154 (City or Town, State and Zip Code) 206-545-5000 (Area Code) (Telephone Number)

Internet Website Address WWW.SAFECO.COM

Statutory Statement Contact BOBBI ANE HODGSON-JEFFERS (Name) 206-545-5000 (Area Code) (Telephone Number) (Extension)

bobhod@safeco.com (E-mail Address) 206-473-6770 (Fax Number)

OFFICERS

Name	Title	Name	Title
JOSEPH ANTHONY GILLES #	President	DEXTER ROBERT LEGG #	Secretary
MICHAEL JOSEPH FALLON #	Chief Financial Officer & Treasurer	GARY RICHARD GREGG #	Chairman of the Board & Chief Executive Officer

OTHER OFFICERS

ANTHONY ALEXANDER FONTANES #	Chief Investment Officer & EVP	SCOTT RHODES GOODBY #	Chief Operating Officer & EVP

DIRECTORS OR TRUSTEES

JOHN DEREK DOYLE #	MICHAEL JOSEPH FALLON #	JOSEPH ANTHONY GILLES #	SCOTT RHODES GOODBY #
GARY RICHARD GREGG #	KEVIN JOHN KIRSCHNER #	CHRISTOPHER CHARLES MANSFIELD #	

State of MASSACHUSETTS

County of SUFFOLK ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Joseph A. Gilles	Dexter R. Legg	Michael J. Fallon
JOSEPH ANTHONY GILLES #	DEXTER ROBERT LEGG #	MICHAEL JOSEPH FALLON #
President	Secretary	Chief Financial Officer & Treasurer

Subscribed and sworn to before me this 1ST day of FEBRUARY, 2009

Colleen K. Lynch

COLLEEN K. LYNCH NOTARY PUBLIC
02/13/2015

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	972,983,469		972,983,469	1,015,765,684
2. Stocks (Schedule D):				
2.1 Preferred stocks	34,573,382		34,573,382	27,312,079
2.2 Common stocks	21,443,495		21,443,495	163,708,453
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ .... encumbrances)			0	0
4.2 Properties held for the production of income (less $ .... encumbrances)			0	0
4.3 Properties held for sale (less $ .... encumbrances)			0	0
5. Cash ($ 75,000 , Schedule E, Part 1), cash equivalents ($ 0 , Schedule E, Part 2) and short-term investments ($ 111,698,748 , Schedule DA)	111,773,748		111,773,748	26,879,345
6. Contract loans, (including $ .... premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	50,050
8. Receivables for securities	107,756		107,756	86,929
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,140,881,850	0	1,140,881,850	1,233,802,540
11. Title plants less $ .... charged off (for Title insurers only)			0	0
12. Investment income due and accrued	14,460,582	29,474	14,431,108	14,326,968
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	73,822,589	4,150,852	69,671,737	95,385,921
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 2,047,505 earned but unbilled premium)	117,389,579	227,501	117,162,078	103,485,496
13.3 Accrued retrospective premium	363,249	36,325	326,924	285,225
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	24,995,531		24,995,531	20,458,143
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	13,329,106		13,329,106	4,545,966
16.2 Net deferred tax asset	72,210,390	34,154,857	38,055,533	40,098,380
17. Guaranty funds receivable or on deposit	1,090,663		1,090,663	491,787
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets ($ ....)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	17,894,729		17,894,729	11,975,000
22. Health care ($ ....) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	685,795	64,714	621,081	483,457
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,477,124,063	38,663,723	1,438,460,340	1,525,338,883
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
26. Total (Lines 24 and 25)	1,477,124,063	38,663,723	1,438,460,340	1,525,338,883
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses	3,643	3,643	0	0
2302. Miscellaneous Accounts Receivable	54,740	54,740	0	0
2303. Other Assets	627,412	6,331	621,081	483,457
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	685,795	64,714	621,081	483,457

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	542,818,524	534,861,501
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	37,317,391	36,559,301
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	126,537,370	127,344,417
4. Commissions payable, contingent commissions and other similar charges	20,105,667	19,591,134
5. Other expenses (excluding taxes, licenses and fees)	35,678,759	37,041,557
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	10,162,081	4,301,882
7.1 Current federal and foreign income taxes (including $ (12,042,949) on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money $ and interest thereon $	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 191,436,474 and including warranty reserves of $)	282,825,872	309,075,031
10. Advance premium	4,443,431	3,950,436
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	918,478	1,027,350
12. Ceded reinsurance premiums payable (net of ceding commissions)	23,767,735	28,695,244
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	0	0
14. Amounts withheld or retained by company for account of others	2,518,792	2,431,088
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (Schedule F, Part 7)	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	39,169,322	15,177,569
20. Payable for securities	2,562	0
21. Liability for amounts held under uninsured plans	0	0
22. Capital notes $ and interest thereon $	0	0
23. Aggregate write-ins for liabilities	3,045,346	4,948,346
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,129,311,330	1,125,004,856
25. Protected cell liabilities	0	0
26. Total liabilities (Lines 24 and 25)	1,129,311,330	1,125,004,856
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock	0	0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes	0	0
32. Gross paid in and contributed surplus	225,413,332	225,413,332
33. Unassigned funds (surplus)	78,735,678	169,920,695
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 $)	0	0
34.2 shares preferred (value included in Line 29 $)	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	309,149,010	400,334,027
36. Totals (Page 2, Line 26, Col. 3)	1,438,460,340	1,525,338,883
DETAILS OF WRITE-INS		
2301. Accounts Payable	2,767,636	4,525,486
2302. Other Liabilities		13,736
2303. Accrued Return Retrospective Premiums	277,710	409,124
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,045,346	4,948,346
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 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 through 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 35, Column 4)	774,160,269	782,878,667
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	429,776,183	415,894,828
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	89,004,627	76,153,602
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	234,757,918	239,982,683
5.	Aggregate write-ins for underwriting deductions	0	0
6.	Total underwriting deductions (Lines 2 through 5)	753,538,728	732,031,113
7.	Net income of protected cells		0
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	20,621,541	50,847,554
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	58,772,529	64,449,023
10.	Net realized capital gains (losses) less capital gains tax of $ (4,877,722) (Exhibit of Capital Gains (Losses))	(9,137,594)	1,823,001
11.	Net investment gain (loss) (Lines 9 + 10)	49,634,935	66,272,024
	OTHER INCOME		
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered $ 4,852 amount charged off $ 4,646,339)	(4,641,486)	(2,501,522)
13.	Finance and service charges not included in premiums	3,624,979	4,723,891
14.	Aggregate write-ins for miscellaneous income	2,274,368	263,221
15.	Total other income (Lines 12 through 14)	1,257,861	2,485,590
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	71,514,337	119,605,168
17.	Dividends to policyholders	930,371	664,240
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)	70,583,966	118,940,928
19.	Federal and foreign income taxes incurred	8,355,046	21,028,924
20.	Net income (Line 18 minus Line 19) (to Line 22)	62,228,920	97,912,004
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	400,334,027	528,789,434
22.	Net income (from Line 20)	62,228,920	97,912,004
23.	Net transfers (to) from Protected Cell accounts		0
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (16,763,751)	(31,019,580)	3,531,864
25.	Change in net unrealized foreign exchange capital gain (loss)		0
26.	Change in net deferred income tax	(10,950,869)	(11,892,343)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(4,757,004)	11,993,068
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	0	0
29.	Change in surplus notes		0
30.	Surplus (contributed to) withdrawn from protected cells		0
31.	Cumulative effect of changes in accounting principles	4,458,964	0
32.	Capital changes:		
	32.1. Paid in		0
	32.2. Transferred from surplus (Stock Dividend)		0
	32.3. Transferred to surplus		0
33.	Surplus adjustments:		
	33.1. Paid in		0
	33.2. Transferred to capital (Stock Dividend)		0
	33.3. Transferred from capital		0
34.	Net remittances from or (to) Home Office		0
35.	Dividends to stockholders	(107,000,000)	(230,000,000)
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37.	Aggregate write-ins for gains and losses in surplus	(4,145,449)	0
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(91,185,018)	(128,455,407)
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	309,149,009	400,334,027
	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 through 0503 plus 0598) (Line 5 above)	0	0
1401.	Retroactive Reinsurance Gain	2,274,368	263,221
1402.			
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	2,274,368	263,221
3701.	Additional Minimum Liability on Benefit Plan	(4,145,449)	0
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(4,145,449)	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	756,687,169	791,827,274
2. Net investment income	59,612,614	66,886,802
3. Miscellaneous income	1,257,861	2,485,590
4. Total (Lines 1 through 3)	817,557,644	861,199,666
5. Benefit and loss related payments	418,738,514	407,502,572
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	324,301,983	325,540,752
8. Dividends paid to policyholders	1,039,243	534,874
9. Federal and foreign income taxes paid (recovered) net of $ (23,941,714) tax on capital gains (losses)	12,740,741	23,307,912
10. Total (Lines 5 through 9)	756,820,482	756,886,110
11. Net cash from operations (Line 4 minus Line 10)	60,737,162	104,313,556
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	105,087,471	327,378,298
12.2 Stocks	155,326,953	42,773,581
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	63,000	160,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(39,584)	0
12.7 Miscellaneous proceeds	0	41,965
12.8 Total investment proceeds (Lines 12.1 to 12.7)	260,437,840	370,353,844
13. Cost of investments acquired (long-term only):		
13.1 Bonds	71,777,165	202,241,655
13.2 Stocks	71,069,332	34,274,781
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	3,300	50,050
13.6 Miscellaneous applications	2,542,729	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	145,392,526	236,566,486
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	115,045,314	133,787,358
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	107,000,000	230,000,000
16.6 Other cash provided (applied)	16,111,927	18,487,285
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(90,888,073)	(211,512,715)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	84,894,403	26,588,199
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	26,879,345	291,146
19.2 End of year (Line 18 plus Line 19.1)	111,773,748	26,879,345

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Lines of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	16,820,899	7,659,595	8,946,679	15,533,815
2.	Allied lines	12,460,737	5,663,150	6,585,612	11,538,275
3.	Farmowners multiple peril	4,277,271	2,169,049	2,081,178	4,365,142
4.	Homeowners multiple peril	97,294,282	57,975,813	43,257,435	112,012,660
5.	Commercial multiple peril	82,372,722	43,321,380	40,157,366	85,536,735
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	(5)	0	0	(5)
9.	Inland marine	9,757,766	5,371,746	4,829,163	10,300,348
10.	Financial guaranty	0	0	0	0
11.1	Medical malpractice - occurrence	178,823	100,894	91,516	188,201
11.2	Medical malpractice - claims-made	12,639	12,290	5,551	19,378
12.	Earthquake	1,688,081	3,483,535	2,367,141	2,804,476
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	1,329	1,007,048	949,515	58,862
16.	Workers' compensation	18,140,965	9,986,704	8,283,346	19,844,323
17.1	Other liability - occurrence	31,685,402	15,371,436	14,930,164	32,126,675
17.2	Other liability - claims-made	5,370,312	2,481,975	2,293,580	5,558,708
18.1	Products liability - occurrence	781,062	395,916	382,080	794,899
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	207,356,917	54,822,669	50,830,178	211,349,409
19.3,19.4	Commercial auto liability	48,075,426	26,610,740	22,936,539	51,749,627
21.	Auto physical damage	148,293,883	42,469,575	39,092,517	151,670,941
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	112,425	69,116	54,496	127,045
24.	Surety	63,018,009	30,176,614	34,651,462	58,543,161
26.	Burglary and theft	30,033	17,993	14,817	33,208
27.	Boiler and machinery	2,893	0	0	2,893
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Warranty	0		0	0
31.	Reinsurance - Nonproportional Assumed Property	1,494	0	0	1,494
32.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0
35.	TOTALS	747,733,365	309,167,238	282,740,334	774,160,269
	DETAILS OF WRITE-INS				
3401.					
3402.					
3403.					
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 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	8,947,380	(700)		0	8,946,679
2.	Allied lines	6,599,102	(13,490)		0	6,585,612
3.	Farmowners multiple peril	2,081,178	0		0	2,081,178
4.	Homeowners multiple peril	43,260,531	(3,096)		0	43,257,435
5.	Commercial multiple peril	40,157,366	0		0	40,157,366
6.	Mortgage guaranty	0	0		0	0
8.	Ocean marine	0	0		0	0
9.	Inland marine	4,829,069	94		0	4,829,163
10.	Financial guaranty	0	0		0	0
11.1	Medical malpractice - occurrence	91,516	0		0	91,516
11.2	Medical malpractice - claims-made	5,551	0		0	5,551
12.	Earthquake	2,368,056	(916)		0	2,367,141
13.	Group accident and health	0	0		0	0
14.	Credit accident and health (group and individual)	0	0		0	0
15.	Other accident and health	949,515	0		0	949,515
16.	Workers' compensation	8,342,176	10		(58,840)	8,283,346
17.1	Other liability - occurrence	14,897,745	32,418		0	14,930,164
17.2	Other liability - claims-made	2,309,343	(1,058)		(14,705)	2,293,580
18.1	Products liability - occurrence	382,080	0		0	382,080
18.2	Products liability - claims-made	0	0		0	0
19.1,19.2	Private passenger auto liability	50,841,953	219		(11,994)	50,830,178
19.3,19.4	Commercial auto liability	22,936,539	0		0	22,936,539
21.	Auto physical damage	39,092,319	198		0	39,092,517
22.	Aircraft (all perils)	0	0		0	0
23.	Fidelity	49,236	5,260		0	54,496
24.	Surety	19,454,885	15,196,577		0	34,651,462
26.	Burglary and theft	14,817	0		0	14,817
27.	Boiler and machinery	0	0		0	0
28.	Credit	0	0		0	0
29.	International	0	0		0	0
30.	Warranty	0	0		0	0
31.	Reinsurance - Nonproportional Assumed Property					0
32.	Reinsurance - Nonproportional Assumed Liability					0
33.	Reinsurance - Nonproportional Assumed Financial Lines					0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0
35.	TOTALS	267,610,355	15,215,517	0	(85,538)	282,740,334
36.	Accrued retrospective premiums based on experience					85,538
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					282,825,872
	DETAILS OF WRITE-INS					
3401.						
3402.						
3403.						
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

(a) State here basis of computation used in each case . Daily pro rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

	Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1.	Fire	4,788,651	16,820,899		4,788,651	0	16,820,899
2.	Allied lines	4,477,398	12,460,737		4,477,398	0	12,460,737
3.	Farmowners multiple peril	7,696,035	4,277,271		7,696,035	0	4,277,271
4.	Homeowners multiple peril	125,106	97,294,282		125,106	0	97,294,282
5.	Commercial multiple peril	282,665,264	82,372,722		282,665,264	0	82,372,722
6.	Mortgage guaranty	0	0		0	0	0
8.	Ocean marine	0	(5)		0	0	(5)
9.	Inland marine	1,592,765	9,757,766		1,592,765	0	9,757,766
10.	Financial guaranty	0	0		0	0	0
11.1	Medical malpractice - occurrence	0	178,823		0	0	178,823
11.2	Medical malpractice - claims-made	0	12,639		0	0	12,639
12.	Earthquake	1,703,209	1,688,081		1,703,209	0	1,688,081
13.	Group accident and health	0	0		0	0	0
14.	Credit accident and health (group and individual)	0	0		0	0	0
15.	Other accident and health	0	1,329		0	0	1,329
16.	Workers' compensation	32,108,217	18,140,965		32,108,217	0	18,140,965
17.1	Other liability - occurrence	6,142,793	31,685,402		6,142,793	0	31,685,402
17.2	Other liability - claims-made	111,790	5,370,312		111,790	0	5,370,312
18.1	Products liability - occurrence	1,010,764	781,062		1,010,764	0	781,062
18.2	Products liability - claims-made	0	0		0	0	0
19.1,19.2	Private passenger auto liability	817,391	207,356,917		817,391	0	207,356,917
19.3,19.4	Commercial auto liability	43,178,244	48,075,426		43,178,244	0	48,075,426
21.	Auto physical damage	9,174,243	148,293,883		9,174,243	0	148,293,883
22.	Aircraft (all perils)	0	0		0	0	0
23.	Fidelity	69,985	112,425		69,985	0	112,425
24.	Surety	80,703	63,018,014		80,708	0	63,018,009
26.	Burglary and theft	9,224	30,033		9,224	0	30,033
27.	Boiler and machinery	349,606	2,893		349,606	0	2,893
28.	Credit	0	0		0	0	0
29.	International	0	0		0	0	0
30.	Warranty	0	0		0	0	0
31.	Reinsurance - Nonproportional Assumed Property	XXX	1,494		0	0	1,494
32.	Reinsurance - Nonproportional Assumed Liability	XXX	0		0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	0		0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
35.	TOTALS	396,101,388	747,733,370	0	396,101,393	0	747,733,365
	DETAILS OF WRITE-INS						
3401.							
3402.							
3403.							
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 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 $ ....

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

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	795,114	7,961,115	795,114	7,961,115	4,395,935	3,002,710	9,354,340	60.2
2.	Allied lines	4,555,803	8,102,510	4,555,803	8,102,510	3,148,609	3,497,054	7,754,065	67.2
3.	Farmowners multiple peril	4,550,402	2,440,184	4,550,402	2,440,184	984,603	1,176,976	2,247,811	51.5
4.	Homeowners multiple peril	596,677	71,764,150	595,463	71,765,364	31,159,733	25,412,061	77,513,036	69.2
5.	Commercial multiple peril	177,604,222	48,218,405	177,604,222	48,218,405	73,632,392	71,812,940	50,037,857	58.5
6.	Mortgage guaranty	0	0	0	0	0	0	0	0.0
8.	Ocean marine	0	1,609	0	1,609	18,051	20,929	(1,269)	25,387.0
9.	Inland marine	220,456	3,898,824	220,456	3,898,824	936,543	795,065	4,040,302	39.2
10.	Financial guaranty	0	0	0	0	37	149	(112)	0.0
11.1	Medical malpractice - occurrence	0	23,555	0	23,555	232,609	220,232	35,932	19.1
11.2	Medical malpractice - claims-made	0	29,969	0	29,969	105,341	147,134	(11,824)	(61.0)
12.	Earthquake	0	1,089	0	1,089	17,829	21,533	(2,615)	(0.1)
13.	Group accident and health	0	0	0	0	0	0	0	0.0
14.	Credit accident and health (group and individual)	0	0	0	0	0	0	0	0.0
15.	Other accident and health	0	92,900	0	92,900	1,155,298	1,313,838	(65,640)	(111.5)
16.	Workers' compensation	14,678,060	13,273,497	14,678,060	13,273,497	88,159,901	96,311,082	5,122,316	25.8
17.1	Other liability - occurrence	1,850,584	12,667,624	1,850,584	12,667,624	55,454,135	54,522,472	13,599,287	42.3
17.2	Other liability - claims-made	0	4,197,672	0	4,197,672	6,550,005	7,598,396	3,149,281	56.7
18.1	Products liability - occurrence	20,174	445,342	20,174	445,342	1,889,343	1,746,737	587,948	74.0
18.2	Products liability - claims-made	0	0	0	0	219	19	200	0.0
19.1,19.2	Private passenger auto liability	1,928,545	124,907,976	1,929,856	124,906,665	173,980,396	177,175,413	121,711,648	57.6
19.3,19.4	Commercial auto liability	25,783,686	23,250,363	25,783,686	23,250,363	55,928,161	46,029,630	33,148,894	64.1
21.	Auto physical damage	5,695,718	87,554,432	5,695,384	87,554,766	5,737,138	4,803,289	88,488,615	58.3
22.	Aircraft (all perils)	0	68,039	0	68,039	112,512	97,719	82,832	0.0
23.	Fidelity	29,852	18,556	29,852	18,556	22,392	19,644	21,304	16.8
24.	Surety	(1,800)	3,082,123	(1,800)	3,082,123	11,403,868	8,673,585	5,812,406	9.9
26.	Burglary and theft	0	1,199	0	1,199	4,411	3,450	2,160	6.5
27.	Boiler and machinery	44,427	0	44,427	0	6,847	6,392	455	15.7
28.	Credit	0	0	0	0	0	0	0	0.0
29.	International	0	0	0	0	0	0	0	0.0
30.	Warranty	0	0	0	0	0		0	0.0
31.	Reinsurance - Nonproportional Assumed Property	XXX	2,957,848	0	2,957,848	0	0	2,957,848	197,981.8
32.	Reinsurance - Nonproportional Assumed Liability	XXX	0	0	0	27,782,213	30,453,049	(2,670,836)	0.0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	0	0	0	0.0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35.	TOTALS	238,351,920	414,958,981	238,351,683	414,959,218	542,818,521	534,861,500	422,916,239	54.6
	DETAILS OF WRITE-INS								
3401.									
3402.									
3403.									
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	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 Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	247,152	3,606,682	247,152	3,606,682	143,028	789,253	143,028	4,395,935	319,323
2. Allied lines	1,521,207	2,337,187	1,521,207	2,337,187	132,306	811,422	132,306	3,148,609	452,582
3. Farmowners multiple peril	950,286	849,122	950,286	849,122	233,666	135,481	233,666	984,603	419,632
4. Homeowners multiple peril	258,763	23,432,365	258,763	23,432,365	10,292	7,727,368	10,292	31,159,733	4,855,297
5. Commercial multiple peril	140,104,226	45,680,375	140,104,226	45,680,375	75,554,377	27,952,017	75,554,377	73,632,392	35,624,601
6. Mortgage guaranty	0	0	0	0	0	0	0	0	0
8. Ocean marine	0	2,704	0	2,704	0	15,347	0	18,051	8
9. Inland marine	53,800	546,172	53,800	546,172	57,238	390,371	57,238	936,543	229,027
10. Financial guaranty	0	0	0	0	0	37	0	37	64
11.1 Medical malpractice - occurrence	0	149,440	0	149,440	11,898	83,169	11,898	232,609	81,464
11.2 Medical malpractice - claims-made	0	57,400	0	57,400	0	47,941	0	105,341	42,818
12. Earthquake	35,000	4,900	35,000	4,900	66,707	12,929	66,707	17,829	15,000
13. Group accident and health	0	0	0	0	0	0	0	(a) 0	0
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0	0
15. Other accident and health	0	1,215,586	0	1,215,586	0	(60,288)	0	(a) 1,155,298	0
16. Workers' compensation	56,776,765	65,461,774	56,776,765	65,461,774	19,224,345	22,698,127	19,224,345	88,159,901	12,818,872
17.1 Other liability - occurrence	6,543,087	21,042,475	6,543,087	21,042,475	4,765,527	34,411,660	4,765,527	55,454,135	20,934,530
17.2 Other liability - claims-made	0	2,663,090	0	2,663,090	19,325	3,886,915	19,325	6,550,005	2,973,659
18.1 Products liability - occurrence	147,119	1,570,716	147,119	1,570,716	254,014	318,627	254,014	1,889,343	967,129
18.2 Products liability - claims-made	0	0	0	0	0	219	0	219	48
19.1,19.2 Private passenger auto liability	22,112,703	138,984,716	22,112,703	138,984,716	343,480	35,001,488	349,288	173,980,396	28,443,354
19.3,19.4 Commercial auto liability	35,199,855	40,161,340	35,199,855	40,161,340	15,234,269	15,766,821	15,234,269	55,928,161	8,256,065
21. Auto physical damage	350,224	758,492	350,224	758,492	4,255	4,978,646	4,255	5,737,138	1,989,472
22. Aircraft (all perils)	0	110,608	0	110,608	0	1,904	0	112,512	1
23. Fidelity	2,415	17,949	2,415	17,949	2,925	4,443	2,925	22,392	3,591
24. Surety	0	(4,248,982)	0	(4,248,982)	38,800	15,652,850	38,800	11,403,868	7,855,963
26. Burglary and theft	0	81	0	81	535	4,330	535	4,411	2,351
27. Boiler and machinery	9,738	0	9,738	0	9,825	6,847	9,825	6,847	4,214
28. Credit	0	0	0	0	0	0	0	0	0
29. International	0	0	0	0	0	0	0	0	0
30. Warranty	0	0	0	0	0	0	0	0	0
31. Reinsurance - Nonproportional Assumed Property	XXX	0	0	0	XXX	0	0	0	0
32. Reinsurance - Nonproportional Assumed Liability	XXX	17,005,586	0	17,005,586	XXX	10,776,627	0	27,782,213	248,305
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	XXX	0	0	0	0
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
35. TOTALS	264,312,340	361,409,778	264,312,340	361,409,778	116,106,812	181,414,551	116,112,620	542,818,521	126,537,370
DETAILS OF WRITE-INS									
3401.									
3402.									
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(a) Including $ .... 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	23,620,699			23,620,699
1.2 Reinsurance assumed	26,923,974			26,923,974
1.3 Reinsurance ceded	23,588,309			23,588,309
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	26,956,364	0	0	26,956,364
2. Commission and brokerage:				
2.1 Direct, excluding contingent		59,031,666		59,031,666
2.2 Reinsurance assumed, excluding contingent		107,671,949		107,671,949
2.3 Reinsurance ceded, excluding contingent		59,031,666		59,031,666
2.4 Contingent-direct		7,348,543		7,348,543
2.5 Contingent-reinsurance assumed		10,548,112		10,548,112
2.6 Contingent-reinsurance ceded		7,348,543		7,348,543
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	118,220,061	0	118,220,061
3. Allowances to manager and agents	1,241,712	1,539,523	24	2,781,259
4. Advertising	47,267	2,164,122		2,211,389
5. Boards, bureaus and associations	301	1,669,714	0	1,670,015
6. Surveys and underwriting reports	2,580,822	5,382,091	172	7,963,085
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries	32,221,295	38,522,961	1,350,859	72,095,115
8.2 Payroll taxes	2,346,424	2,679,560	13,154	5,039,138
9. Employee relations and welfare	4,617,027	7,723,228	27,930	12,368,185
10. Insurance	1,687,098	873,374		2,560,472
11. Directors' fees	0	226,918		226,918
12. Travel and travel items	2,376,512	2,665,174	4,651	5,046,337
13. Rent and rent items	4,090,758	5,440,647	7,484	9,538,889
14. Equipment	626,557	890,811	915	1,518,283
15. Cost or depreciation of EDP equipment and software	3,933,600	7,453,844	22,593	11,410,037
16. Printing and stationery	216,469	512,563	48,553	777,585
17. Postage, telephone and telegraph, exchange and express	1,485,180	3,488,046	1,863	4,975,089
18. Legal and auditing	4,577,241	9,342,611	70,220	13,990,072
19. Totals (Lines 3 to 18)	62,048,263	90,575,187	1,548,418	154,171,868
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 345,334		14,101,509		14,101,509
20.2 Insurance department licenses and fees		1,797,095		1,797,095
20.3 Gross guaranty association assessments		773,708		773,708
20.4 All other (excluding federal and foreign income and real estate)		9,011,286		9,011,286
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	25,683,598	0	25,683,598
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans		(9,227)		(9,227)
24. Aggregate write-ins for miscellaneous expenses	0	288,299	0	288,299
25. Total expenses incurred	89,004,627	234,757,918	1,548,418	(a) 325,310,963
26. Less unpaid expenses - current year	126,537,370	65,946,507		192,483,877
27. Add unpaid expenses - prior year	127,344,418	60,934,573	0	188,278,991
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	89,811,675	229,745,984	1,548,418	321,106,077
DETAILS OF WRITE-INS				
2401. Charitable Contributions		288,299		288,299
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	0	288,299	0	288,299

(a) Includes management fees of $ 107,123 to affiliates and $ 11,505 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 2,784,589	2,755,360
1.1	Bonds exempt from U.S. tax	(a) 28,138,915	28,465,674
1.2	Other bonds (unaffiliated)	(a) 21,851,160	21,706,981
1.3	Bonds of affiliates	(a) 0	0
2.1	Preferred stocks (unaffiliated)	(b) 2,546,447	2,681,877
2.11	Preferred stocks of affiliates	(b) 0	0
2.2	Common stocks (unaffiliated)	3,253,025	3,085,242
2.21	Common stocks of affiliates	0	0
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 1,119,187	1,131,784
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	499,177	499,177
10.	Total gross investment income	60,192,500	60,326,095
11.	Investment expenses		(g) 1,548,417
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 5,149
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		1,553,566
17.	Net investment income (Line 10 minus Line 16)		58,772,529
	DETAILS OF WRITE-INS		
0901.	Securities Lending Income	263,168	263,168
0902.	Miscellaneous Interest Income	236,009	236,009
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	499,177	499,177
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		0

(a) Includes $ 1,773,121 accrual of discount less $ 2,746,834 amortization of premium and less $ 456,085 paid for accrued interest on purchases.
(b) Includes $ 14 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 $ 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 $ 347,423 accrual of discount less $ 0 amortization of premium and less $ 6,084 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	(12,259)	0	(12,259)	0	
1.1	Bonds exempt from U.S. tax	1,755	0	1,755	0	
1.2	Other bonds (unaffiliated)	(177,561)	(2,178,860)	(2,356,421)	(2,140,911)	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	(5,266,251)	(4,034,250)	(9,300,501)	(3,541,072)	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	3,463,476	(3,256,953)	206,523	(43,154,465)	0
2.21	Common stocks of affiliates	0	0	0	1,053,102	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0	0	0
5.	Contract loans			0	0	
6.	Cash, cash equivalents and short-term investments	(39,584)	(2,524,464)	(2,564,048)	0	
7.	Derivative instruments			0	0	
8.	Other invested assets	9,634	0	9,634	16	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	(2,020,790)	(11,994,527)	(14,015,317)	(47,783,330)	0
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)	0	0	0
12. Investment income due and accrued	29,474	0	(29,474)
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	4,150,852	5,362,970	1,212,118
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	227,501	234,686	7,185
13.3 Accrued retrospective premiums	36,325	31,692	(4,633)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset	34,154,857	28,219,831	(5,935,026)
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	0	0	0
19. Furniture and equipment, including health care delivery assets	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable	0	0	0
23. Aggregate write-ins for other than invested assets	64,714	57,540	(7,174)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	38,663,723	33,906,719	(4,757,004)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	38,663,723	33,906,719	(4,757,004)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses	3,643	3,643	0
2302. Miscellaneous Accounts Receivable	54,740	53,897	(843)
2303. Other Assets	6,331	0	(6,331)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	64,714	57,540	(7,174)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of American Economy Insurance Company (the Company) have been prepared on the basis of accounting practices prescribed or permitted by the Indiana Insurance Department.

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

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

B. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amount reported in these financial statements and notes. Actual results could differ from those estimates.

C. Accounting Policies

Insurance premiums are included in income as they are earned over the term of the respective insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct and assumed business and are based on reports received from ceding companies for reinsurance.

Expenses incurred in connection with acquiring new insurance business, such as sales commission, are charged to operations as incurred. Expenses are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded on the date of record. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include write-downs for impairments considered to be other-than-temporary.

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

2. Bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) are stated at cost or amortized cost; all other bonds are stated at the lower of amortized cost or fair value. The fair values of investments in bonds are based on quoted market prices by third-party organizations when available or NAIC investment values. NAIC investment values are determined using the *Valuations of Securities* manual published by the NAIC Securities Valuation Office (SVO). For bonds not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting the expected future cash flows using current market rates applicable to the coupon rate, credit, and maturity of the investments. Amortization of bond premium and discount is calculated using the effective-yield method. The retrospective-adjustment method is used to value all mortgage-backed and asset-backed securities. Using this method, anticipated prepayments are considered when determining the amortization of discount or premium for loan-backed bonds. Prepayment assumptions are obtained from dealer survey values or internal estimates and are consistent with the current interest rate and economic environment.

3. Unaffiliated common stocks are stated at fair value and the related net unrealized capital gains (losses) are reported in unassigned surplus along with an adjustment for federal income taxes. Fair values of investments in common stocks are based on quoted market prices by third-party organizations when available or NAIC investment values. For stocks that are not actively traded, estimated fair values are based on values of issues with comparable yield and quality.

   The stock in the Company's insurance subsidiaries is carried at their underlying statutory equity, adjusted for any unamortized goodwill, in accordance with SSAP No. 97 (SSAP No. 97), *Investments in Subsidiary, Controlled and Affiliated Entities*, a replacement of SSAP No. 88.

4. Highest quality and high-quality redeemable preferred stocks (NAIC designations RP1 and RP2) which have characteristics of debt securities are valued at cost or amortized cost. All other redeemable preferred stocks (NAIC designations RP3 to RP6) are reported at the lower of cost, amortized cost or fair value.

   Highest quality and high-quality perpetual preferred stocks (NAIC designations P1 and P2), which have characteristics of equity securities, are stated at fair value. All other perpetual preferred stocks (NAIC designations P3 to P6) are reported at the lower of cost or fair value. Fair values of investments in preferred stocks are based on quoted market prices by third-party organizations when available or NAIC investment values. For stocks that are not actively traded, estimated fair values are based on values of issues with comparable yield and quality.

NOTES TO FINANCIAL STATEMENTS

5. Mortgage Loans

   The Company does not have any investments in mortgage loans.

6. Loan-backed securities are valued and reported in accordance with SSAP 43 and the NAIC SVO *Purposes and Procedures Manual*, and according to the designation assigned by the NAIC SVO. Loan-backed securities designated highest quality and high quality (NAIC designations 1 and 2, respectively) are reported at amortized cost; loan-backed securities that are designated medium quality, low quality, lowest quality or in or near default (NAIC designations 3 to 6 respectively) are reported at the lower of amortized cost or fair value.

7. The Company records affiliate American States Insurance Company of Texas on the equity basis as described in Part 8, Section 3(b) of the Securities Valuation Handbook, and in accordance with SSAP No. 97.

8. Investments in joint ventures and partnerships and limited liability companies are stated at their underlying audited GAAP equity value in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO manual.

9. Derivatives

   The Company does not have any investments in derivatives.

10. Premium Deficiency Reserve

    The Company anticipates investment income when evaluating the need for a premium deficiency reserve, in accordance with SSAP No. 53, *Property Casualty Contracts Premiums.*

11. Method of establishing loss and LAE reserves

    Unpaid loss and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions, estimates and judgments. While we believe the amount is reasonable, the ultimate liability is uncertain and may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined. In September 2008, the Company and its affiliated property and casualty companies changed the reserve methodology and began discounting workers' compensation reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers' compensation claims. See Note 31 for detail.

    Asbestos:

    Estimating loss reserves for asbestos claims requires more judgment than for our other lines of business. This is primarily because past claim experience may not be representative of future claims.

    Several factors make it difficult to predict future asbestos claim payments. They include:

    - Insufficient data
    - Inherent risk of major litigation
    - Diverging legal interpretations
    - Regulatory actions
    - Legislative actions
    - Increases in bankruptcy proceedings
    - Non-impaired claimants being allowed to make claims
    - Efforts by insureds to seek coverage interpretation not subject to aggregate limits.

    Changes in these factors could result in future asbestos claims payments that are significantly different from those currently predicted.

    In estimating our loss reserves for asbestos claims, we:

    - Consider applicable law and coverage litigation
    - Analyze claim statistics and trends
    - Review industry information to test the reasonableness of our reserves
    - Do not consider ongoing Congressional reform efforts.

    Some asbestos-related claims are subject to non-product liability coverage rather than product liability coverage. Non-product liability coverage may not be subject to policy aggregate limits, resulting in higher asbestos claims payments and related expenses.

NOTES TO FINANCIAL STATEMENTS

Environmental and Other Toxic Tort Claims:

The volatility of actuarial estimates of liabilities for environmental and other toxic tort claims is often greater than that of other exposures. This is due to several factors including:

- Insufficient data
- Changes in the number and types of defendants involved with these claims
- Unresolved legal issues including existence of coverage, definition of ultimate damages and final allocation of damages due from the financially responsible parties.

In light of these factors, we estimate loss reserves for environmental and other toxic tort claims including consideration of:

- Claim statistics and trends
- Directional trends in survival ratios
- Applicable law and coverage litigation
- Industry information.

12. Capitalization Policy

The Company has a written capitalization policy for purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment, and leasehold improvements. The capitalization thresholds under this policy have not changed from those of the prior year.

13. Pharmaceutical Rebate Receivables

The Company has no pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors

In September 2008, the Company changed its reserve methodology and began discounting its workers' compensation reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers' compensation claims. See Note 31 regarding Discounting of Liabilities for Unpaid Losses. The cumulative effect of this change in reserve method was recorded in 2008 as an increase in unassigned funds (surplus) of $4,459,000. The impact of this change was an increase in 2008 unassigned funds (surplus) of $4,459,000 a reduction in the reserve for unpaid losses of $6,860,000 and a decrease in the federal income tax recoverable of $2,401,000.

3. Business Combinations and Goodwill

A. Statutory purchase method

The Company did not enter into any Statutory purchases during the year.

B. Statutory mergers

The Company did not enter into any Statutory mergers during the year.

C. Impairment loss

Not Applicable

4. Discontinued Operations

The Company had no discontinued operations to report.

5. Investments

A. Mortgage loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

The Company has no reverse mortgages

D. Loan-backed securities

1. Amortization of bond premium and discount is calculated using the effective-yield method. The retrospective-adjustment method is used to value all mortgage-backed and asset-backed securities. Using this method, anticipated prepayments are considered when determining the amortization of discount or premium for loan-backed securities.

NOTES TO FINANCIAL STATEMENTS

2. Prepayment assumptions are obtained from dealer survey values or internal estimates and are consistent with the current interest rate and economic environment.

3. The Company had no negative yield situations requiring a change from the retrospective to the prospective method.

E. Repurchase Agreements

The Company did not enter into any repurchase agreements during the year.

F. Real estate impairments and retail land sales

1. The Company did not recognize an impairment loss on real estate.

2. The Company did not sell or reclassify any real estate during 2008.

3. The Company has not experienced a change to a plan of sale for an investment in real estate.

4. The Company does not have a retail land sales operation.

G. Low Income Housing Tax Credits

The Company does not hold any low income housing tax credit property investments.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for those greater than 10% of admitted assets

The Company has no investments in joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets.

B. Write downs for impairments

The Company did not recognize any impairment write-down for its investments in joint ventures, partnerships or limited liability companies.

7. Investment Income

A. Accrued Investment Income

The Company did not have any securities in default and; therefore, did not exclude any investment income due and accrued.

The Company does not admit investment income for amounts that are over 90 days past due.

B. Amounts excluded

There was no investment income due and accrued excluded from income during the year ended December 31, 2008.

As of December 31, 2008, the Company non-admitted $29,474 of investment income due and accrued over 90 days past due.

8. Derivative Instruments

The Company does not own any derivative instruments.

9. Federal Income Tax Allocation

A. The components of the net deferred tax assets and liabilities recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	77,877,418	90,023,175	(12,145,757)
Total of deferred tax liabilities	(5,667,026)	(21,704,962)	16,037,936
Net deferred tax asset (liability)	72,210,392	68,318,213	3,892,179
Net deferred tax asset non-admitted	(34,154,859)	(28,219,831)	(5,935,028)
Net admitted deferred tax asset (liability)	**38,055,533**	**40,098,382**	**(2,042,849)**

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

NOTES TO FINANCIAL STATEMENTS

C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2008	2007
Federal tax on operations	8,355,047	21,028,924
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	8,355,047	21,028,924
Tax on capital gains	(4,877,722)	1,906,678
Total income tax incurred	3,477,325	22,935,602

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, goodwill, investment impairments, unrealized gains, and statutory non-admitted assets.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	(12,871,572)
Tax effect of unrealized (gains) losses	16,763,751
Total change in net deferred income tax	3,892,179

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, proration, Section 280G payments, excludible dividend income, revisions to prior year estimates, and changes in deferred taxes related to non-admitted assets.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is $3,749,830 from the current year and $24,820,488 from the preceding year.

The Company has no remaining net loss carryforward available to offset future net income subject to Federal income taxes.

The Company has no foreign tax credit.

F. The Company's federal income tax return for the period January 1, 2008 through September 22, 2008 will be consolidated with the following entities:

Safeco Corporation
Safeco Insurance Company of America
General Insurance Company of America
First National Insurance Company of America
Safeco National Insurance Company
Safeco Insurance Company of Illinois
Safeco Lloyds Insurance Company
Safeco Surplus Lines Insurance Company
Safeco Insurance Company of Indiana
American States Insurance Company
American Economy Insurance Company
American States Preferred Insurance Company
Insurance Company of Illinois
American States Lloyds Insurance Company
American States Insurance Company of Texas
Safeco Insurance Company of Oregon
Emerald City Insurance Agency, Inc.
Safeco Properties, Inc.
Winmar Company, Inc.
Safecare Company, Inc.
SCIT, Inc.
Winmar of the Desert, Inc.
Winmar Metro, Inc.
Winmar Oregon, Inc.
S.C. Bellevue, Inc.
Capital Court Corporation
General America Corporation
General America Corporation of Texas
F.B. Beattie & Company, Inc.
Barrier Ridge LLC
Commercial Aviation Insurance Inc.,-PA
Pilot Insurance Services, Inc.
Safeco General Agency, Inc.
Open Seas Solutions, Inc.
Rianoc Research Corporation

NOTES TO FINANCIAL STATEMENTS

As a result of the acquisition by Liberty Mutual Group, the Company's Federal income tax return for the period September 23, 2008 through December 31, 2008 will be consolidated with the following entities:

Access Insurance Services, Co.
AMBCO Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Ambassador Casualty Company
American Economy Insurance Company*
American Fire & Casualty Company
American States Insurance Company*
American States Insurance Company of Texas*
American States Lloyds Insurance Company*
American States Preferred Insurance*
Avomark Insurance Company
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation*
Capitol Agency, Inc., The (Arizona corporation)
Capitol Agency, Inc., The (Ohio corporation)
Capitol Agency, Inc., The (Tennessee corporation)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.*
Companies Agency Insurance Services of California (dissolved 8/15/2008)
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)
Companies Agency of New York, Inc.
Companies Agency of Pennsylvania, Inc.
Companies Agency of Phoenix, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Countrywide Services Corporation (dissolved 10/17/2008)
Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.*
Employers Insurance Company of Wausau
Excelsior Insurance Company
F.B. Beattie & Company, Inc.*
First National Insurance Company of America*
Florida State Agency, Inc.
General America Corporation*
General America Corporation of Texas *
General Insurance Company of America*
Globe American Casualty Company
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit HealthCare, Inc.
Indiana Insurance Company
Insurance Company of Illinois*
LEXCO Limited
Liberty - USA Corporation
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters, Inc.
Liberty Life Assurance Company of Boston
Liberty Life Holdings, Inc.
Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.
Liberty Mexico Holdings, Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.
Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
LIH U.S. P&C Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Personal Insurance Company
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Agency, Inc.
Mid-American Fire & Casualty Company
Missouri Agency, Inc.
North Pacific Insurance Company
OCASCO Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Casualty of New Jersey, Inc.
Ohio Life Brokerage Services, Inc.
Ohio Security Insurance Company
Open Seas Solutions, Inc.*
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pilot Insurance Services, Inc.*
Rianoc Research Corporation*
S.C. Bellevue, Inc.*
Safecare Company, Inc.*
Safeco Corporation*
Safeco General Agency, Inc.*
Safeco Insurance Company of America*
Safeco Insurance Company of Illinois*
Safeco Insurance Company of Indiana*
Safeco Insurance Company of Oregon*
Safeco Lloyds Insurance Company*
Safeco National Insurance Company*
Safeco Properties, Inc.*
Safeco Surplus Lines Insurance Company*
San Diego Insurance Company
SCIT, Inc. *
St. James Insurance Company Ltd.
State Agency, Inc. (Indiana corporation)
State Agency, Inc. (Wisconsin corporation)
Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Service Corporation
Wausau Underwriters Insurance Company
West American Insurance Company
Winmar Company, Inc.*
Winmar of the Desert, Inc.*
Winmar Oregon, Inc.*
Winmar-Metro, Inc.*

* This company joined the consolidated group in 2008 and its activity from the date it joined the group is included in the consolidated return.

NOTES TO FINANCIAL STATEMENTS

The method of federal income tax allocation is subject to a written agreement. Allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A. The Nature of the Relationship Involved

The Company is a wholly owned subsidiary of Safeco Corporation, a company incorporated in Washington.

Effective September 22, 2008, LIH US P&C Corporation, a downstream non-insurance holding company indirectly owned by Liberty Mutual Insurance Company and certain affiliates, acquired all outstanding shares of common stock of Safeco Corporation (“Safeco”), for $68.25 per share in cash, at an aggregate purchase price of approximately $6.2 billion.

B. Detail of Transactions Greater than ½ of 1 percent of Admitted Assets

1. The Company distributed dividends to Safeco Corporation totaling $107,000,000 in 2008. The transactions were as follows:

- On May 19, 2008, the Company declared dividends in the amount of $20,000,000 which were paid on June 16, 2008.
- On July 28, 2008, the Company declared dividends in the amount of $32,000,000 which were paid on September 15, 2008.
- On November 7, 2008, the Company declared dividends in the amount of $55,000,000 which were paid on December 23, 2008.

2. The Company issued the following material loans to Safeco Insurance Company of America in 2008.

- On July 31, 2008, the Company loaned overnight invested funds in the amount of $24,630,000.
- On August 31, 2008, the Company loaned overnight invested funds in the amount of $23,820,000.
- On September 30, 2008, the Company loaned overnight invested funds in the amount of $11,665,000.
- On October 31, 2008, the Company loaned overnight invested funds in the amount of $19,025,000.
- On November 5, 2008, the Company loaned $10,005,000. The loan was settled on November 18, 2008.

C. Change in Terms of Intercompany Arrangements

Other than those reported in Note 10F, there have been no material changes related to intercompany arrangements. In 2008, there have been no material transactions, except those reported in Note 10B and those related to the intercompany pooling agreement described in Note 10D and Note 25.

D. Amount due from or to Related Parties

	Due (To) From 12/31/2008	Due(To) From 12/31/2007
Intercompany Loan	($245,000)	$0
Intercompany Reinsurance Offset	($10,745,596)	($6,612,601)
Intercompany Expense Sharing	($10,283,997)	($8,564,970)
Overnight Invested Funds	$0	$11,975,000

E. Guarantees or Contingencies for Related Parties

The Company has no guarantees or undertakings for the benefit of any affiliate which result in material contingent exposure of the Company’s assets.

F. Management or Service Contracts and Cost Sharing Arrangements

1. Prior to September 22, 2008, the Company participated in an intercompany tax sharing agreement described in Note 9 of the 2007 Annual Statement. Subsidiaries of Liberty Mutual Holding Company Inc. (LMHC) are parties to a consolidated tax allocation agreement pursuant to which they join in the filing of LMHC's consolidated U.S. federal income tax return. Effective September 22, 2008, Amendment No. 4 to the Federal Tax Sharing Agreement added Safeco Group to the Federal Tax Sharing Agreement.

2. Liberty Mutual Investment Advisors LLC (LMIA) and Liberty Mutual Insurance Company (LMIC) are members of Liberty Mutual Group and each provide investment management services to affiliates. Effective September 22, 2008, American Economy Insurance Company entered into Investment Management Agreements with LMIA and LMIC, respectively. The Investment Management Agreements specify the services to be performed by LMIA and LMIC, the authority granted to LMIA and LMIC, the investment policy and guidelines, and the compensation to be paid. The Investment Management Agreements also contain customary provisions on termination, amendment, choice of law, and assignment. Investment fees payable to LMIC totaled $107,123 as of December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

3. LMIA provides short-term investment and cost management services. The purpose of the Cash Management Agreement is to achieve an efficient and cost-effective way for American Economy Insurance Company to obtain short-term investment and cost management services. The Cash Management Agreement, effective September 22, 2008, specifies the services to be performed by LMIA, the authority granted to LMIA and contains customary provisions on termination, amendment, choice of law, and assignment.

G. Nature of Relationships that Could Affect Operations

The Company participates in an intercompany pooling agreement with its affiliates, as described in Note 25, whereby it retains 14% of the net premiums, losses and associated assets and liabilities of the Safeco Insurance Companies. The operating results or financial position of the Company could be significantly different from those results reported in these statements if it operated without the intercompany pooling agreement. This intercompany pooling agreement was terminated effective January 1, 2009. Effective January 1, 2009, the existing Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. The Company's participation percentage in the PIC agreement is 5.6%.

H. Amount Deducted for Investment in Upstream Company

The Company does not own any shares of an upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

The Company does not have investments in affiliates greater than 10% of admitted assets.

J. Write down for Impairments of Investments in Subsidiary, Controlled and Affiliated Companies

The Company did not recognize any impairment write down for its investment in a subsidiary, controlled or affiliated company.

K. Investment in a foreign insurance subsidiary

The company does not have an investment in a foreign insurance subsidiary.

L. Investment in Downstream Holding Company

The Company does not have an investment in a downstream holding company.

11. Debt

The Company does not have any capital notes or debt outstanding as of December 31, 2008 and 2007.

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plans

Safeco Corporation (Parent) sponsors the defined benefit plan listed in Note 12D. The Company has no direct legal liability under these plans. As a result of the acquisition of Safeco Corporation by LIH US P&C Corporation, a downstream non-insurance holding company indirectly owned by Liberty Mutual Insurance Company and certain affiliates (Liberty Mutual), the Company employees will be participating in the Liberty Mutual Retirement Benefit Plan beginning on January 1, 2009.

B. Defined Contribution Plans

Safeco Corporation (Parent) sponsors the defined contribution plans listed in Note 12D. The Company has no direct legal liability under these plans. As a result of the acquisition of Safeco Corporation by Liberty Mutual, the plans will be merged into the Liberty Mutual Employees' Thrift-Incentive Plan in 2009 or soon thereafter. The Company employees will be participating in the Liberty Mutual Employees' Thrift-Incentive Plan effective January 1, 2009.

C. Multiemployer Plans

Not Applicable

NOTES TO FINANCIAL STATEMENTS

D. Consolidated/Holding Company Plans

The Parent sponsors a cash balance defined benefit pension plan covering a wide range of Company employees. Benefit accruals in the plan consist of pay credits, based on each eligible participant's compensation, plus a stipulated rate of return on their benefit balance. Pay credits were provided for the years 1989 through 2007 and ceased effective January 1, 2008. The Parent terminated the cash balance plan effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The Parent's funding policy is to contribute amounts at least sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act (ERISA) that can be deducted for federal income tax purposes. Pension costs are subject to the intercompany pooling agreement described in Note 25 and are charged to the Company based on a percentage of payroll. These costs amounted to $604,000 and $11,141,000 in 2008 and 2007, respectively. In 2008, an additional minimum liability of $4,145,449 was recognized in accordance with SSAP 89 and is reported as a component of unassigned funds(surplus). The 2007 costs included a one-time recognition of liabilities for the vesting and plan freeze changes adopted in 2007. In 2007, the prepaid cash balance plan, which was reported as a non-admitted asset, was decreased by $33,759,000, which included a one-time curtailment loss of $25,000,000. The Company has no legal obligation for benefits under this plan.

The Parent sponsors a defined contribution plan covering a wide range of Company employees. The plan includes a minimum contribution of 3% of each eligible participant's compensation and a matching contribution of 66.6% of a participant's contributions, up to 6% of eligible compensation. Effective January 1, 2008, the Company increased the match to 100% of employee contributions up to 6% of base annual salary and all employees are immediately vested and eligible to participate in the program. The Parent made contributions to the plan semi-monthly. Expense for this plan is subject to the intercompany pooling agreement described in Note 25 and is charged to the Company based on a percentage of payroll, these amounted to $10,236,000 and $7,989,000 in 2008 and 2007, respectively.

The Parent sponsors a postretirement healthcare and life insurance program ("OPRB") covering retired and certain active employees, their beneficiaries and eligible dependents. During 2003, the OPRB was amended to eliminate the future benefit of a significant number of employees, resulting in a gradual reduction of OPRB liabilities previously recognized. The OPRB does not provide for benefits available from Medicare Part D, a prescription drug benefit provided by the Medicare Prescription Drug Improvement and Modernization Act. The Parent makes contributions to this program as claims are incurred. OPRB expense (income) is subject to the intercompany pooling agreement described in Note 25 and is charged to the Company based on a percentage of payroll, amounted to $(18,317,000) and $(292,000) in 2008 and 2007, respectively. The Company has no legal obligation for benefits under this plan. As a result of the acquisition of Safeco Corporation by Liberty Mutual, the OPRB plan was terminated effective December 31, 2008. The Company employees will be participating in the Liberty Mutual healthcare and life insurance program effective January 1, 2009.

The Parent sponsors an unfunded deferred compensation plan for certain executives. Amounts deferred are credited with earnings based on measurement funds selected by the executive. The Parent makes payments from this plan when the executive terminates or retires, whichever is earlier. Expense (income) for this plan is subject to the intercompany pooling agreement described in Note 25 and is charged to the Company based on a percentage of payroll, amounted to $(645,000) and $305,000 in 2008 and 2007, respectively. The Company has no legal obligation for benefits under this plan.

E. Postemployment Benefits and Compensated Absences

The Company has accrued liabilities for earned but unused vacation and costs expected in connection with its obligation to provide COBRA benefits to eligible participants for a specified period after termination of employment.

F. Impact of Medicare Modernization Act on Post Retirement Benefits

There is no impact of the Medicare Modernization Act on the Company's financial statements.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

1. Outstanding shares

The Company has 1,000,000 shares of $5.00 par value common stock authorized and 1,000,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

2. Dividend rate of preferred stock

Not Applicable

3. Dividend restrictions and amount of ordinary dividends that may be paid

The Company is restricted by the State of Indiana as to the amount of dividends it may pay in any consecutive twelve-month period without prior regulatory approval. That restriction is the greater of statutory net income or 10% of policyholder surplus for the previous year, subject to the availability of accumulated undistributed earnings.

NOTES TO FINANCIAL STATEMENTS

4. Dividend Payments

   All dividends declared and paid during 2008 were approved by the state of domicile where required. Ordinary and Extraordinary dividends declared and paid during the year are as follows:

Date Declared	Date Paid	Amount Paid	Ordinary	Extraordinary
05/19/2008	06/16/2008	$ 20,000,000		X
07/28/2008	09/15/0008	$ 32,000,000	X	
11/07/2008	12/23/2008	$ 45,912,004	X	
11/07/2008	12/23/2008	$ 9,087,996		X

5. Portion of the Company's profits that may be paid as ordinary dividends to stockholders

   The Company may pay up to $62,228,920 in the aggregate in 2009 without prior regulatory approval.

6. Restrictions on unassigned funds

   There were no restrictions placed on the Company's surplus.

7. Mutual surplus advances

   The Company had no advances to surplus.

8. Company stock held for special purposes

   The Company does not hold stock for special purposes.

9. Changes in special surplus funds

   The Company does not hold special surplus funds.

10. Change in unassigned funds (surplus) from cumulative unrealized gains and losses

    Unassigned funds (surplus) was increased by $2,638,880 of cumulative unrealized capital gains.

11. Surplus notes

    The Company does not have surplus notes.

12. -13. Impact and date of quasi-reorganizations

    The Company did not have any quasi-reorganizations.

14. Contingencies

A. Contingent commitments

   1. The Company has purchased annuities from life insurers under structured settlements in which the claimants are payees (see Note 26A). In cases where the Company is contingently liable if the issuers of these annuities fail to perform under the terms of the annuities, the Company does not reduce its unpaid losses.

   2. As of December 31, 2008, the Company has no remaining commitments to invest in partnerships and limited liability companies.

   3. The Company has no guarantees or undertakings for the benefit of any affiliate which result in material contingent exposure of the Company's assets, as indicated in Note 10E.

B. Guaranty fund and other assessments

   1. The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies as they become known to the Company and if they are material. Other assessments are accrued at the time of assessment, or, in the case of loss based assessments, at the time the losses are incurred. As of December 31, 2008, the Company has accrued a liability for guaranty fund and other assessments of $1,600,253 and a related premium tax benefit asset of $1,090,663. The amounts represent management's best estimates based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

NOTES TO FINANCIAL STATEMENTS

2. In 2008, Safeco Insurance Company of America and its affiliated property and casualty insurance companies became a participating insurer of the California Earthquake Authority ("CEA"), a publicly-managed, privately-funded organization that provides residential earthquake insurance in California. California requires insurers selling homeowners insurance in their state to offer earthquake insurance either through their company or by participation in the CEA. The Company's exposure to potential losses from California earthquakes is limited through participation in the CEA.

   As a new participating insurer of the CEA, the CEA assessed the Company and its affiliates an initial capital contribution of $46,500,000 based on the Company's and its affiliates' combined share of the market for CEA residential earthquake insurance. The initial assessment will be paid by the Company and its affiliates in twelve equal monthly installments beginning in December 2008. The assessment is subject to the intercompany pooling agreement described in Note 25 and was expensed by the Company and its affiliated property and casualty insurance companies in 2008 based on the applicable participation percentages. The Company's share of the initial CEA assessment expense was $6,510,000. The first installment payment was made in December 2008 and the remaining installments will be paid in 2009.

   The Company and its affiliates are also subject to future additional assessments by the CEA if the capital of the CEA falls below $350 million. If losses arising from an earthquake cause a deficit in the CEA, then the CEA would obtain additional funding through reinsurance proceeds and assessments on participating insurers. Future assessments on participating CEA insurers are based on their CEA insurance market share as of December 31 of the preceding year. As a new participating insurer, the Company and its affiliates are also subject to a potential risk capital surcharge in addition to the initial capital contribution and additional assessments. New participating insurers may be required to pay the CEA up to five annual risk capital surcharges. The risk capital surcharge would be equal to the CEA's increased cost of providing capacity to insure the new participating insurer's excess earthquake insurance risk. The risk capital surcharge will be calculated twelve months after the date the participating insurer first placed or renewed into the authority earthquake insurance policies. Although the Company is subject to future assessments by the CEA, the Company believes that its participation in the CEA has significantly reduced the Company's exposure to earthquake losses in California. The Company does not believe that any future CEA assessment or risk capital surcharge would be material to the financial position of the Company.

C. Gain contingencies

   Not Applicable

D. Extra Contractual Obligation and Bad Faith Losses

   The Company paid on a direct basis the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during 2008	$ 4,115,000

   Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during 2008.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
	X			

   Indicate whether claim count information is disclosed per claim or per claimant.

   Per Claim [X] Per Claimant [ ]

E. All Other Contingencies

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

   Net realized capital losses include bond impairments of $4,742,908, preferred stock impairments of $4,034,250 and common stock impairments of $3,256,952 for investments that have experienced an other-than-temporary decline in value.

15. Leases

The Company is not involved in material lease obligations.

NOTES TO FINANCIAL STATEMENTS

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

The Company is not exposed to financial instruments with off-balance sheet risk or with concentrations of credit risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of receivables reported as sales

The Company did not have any transfers of receivables reported as sales during the year.

B. Transfers and servicing of financial assets

The Company has a securities lending agreement with Bank of New York Mellon (BNY). The loaned securities remain in exclusive control of the Company. The collateral provided by the transferee is in the form of cash and represents a minimum of 102 percent of the fair value of the loaned securities. If at any time the fair value of the collateral is less than 100 percent of the fair value of the loaned securities, the transferee shall be obligated to deliver additional collateral, the fair value of which, together with the fair value of all the collateral equals at least 102 percent of the value of the loaned securities. The collateral cash is restricted and is not available for the general use by the Company.

At the Company's request, on December 19, 2008 all loaned securities under the BNY agreement were returned to the Company. The Company purchased the related collateral assets from BNY on December 19, 2008 at a price which represented BNY's cost. As of December 31, 2008, there were no securities loaned to others and no collateral held by either the Company or BNY under the terms of the BNY agreement.

On December 22, 2008, the existing securities lending agreement between Liberty Mutual Insurance Company, Inc. and JPMorgan Chase Bank, N.A. was amended to add the Company as a new lender under the agreement. The Company participates in this new Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Under the terms of the new agreement, borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash, Agency or U.S. Government securities. The fair value of the loaned securities is monitored and additional collateral is obtained if the fair value of the collateral falls below 102% of the fair value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as a liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company. As of December 31, 2008, there were no securities loaned to others and no cash collateral held by the Company under the terms of the new agreement with JP Morgan Chase Bank, N.A.

C. Wash sales

The Company did not have any wash sale transactions during the year.

18. Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative services only (ASO) plans

Not Applicable

B. Administrative services contract (ASC) plans

In 2008, Safeco Insurance Company of America and its affiliated property and casualty insurance companies agreed to become a participating insurer of the California Earthquake Authority ("CEA"), a publicly-managed, privately-funded organization that provides residential earthquake insurance in California. As a participating insurer of the CEA, Safeco and its affiliates act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the Company for commissions and claims paid on behalf of the CEA. The Company also receives an administrative fee equal to 3% of premium and 9% of claims paid. In 2008, the Company recorded CEA administrative fees of $9,227.

Medicare or similarly structured cost based reimbursement contracts

Not Applicable

19. Direct Premium Written or Produced by Managing General Agents/Third Party Administrators

The Company has no direct premiums written through managing general agents or third party administrators.

NOTES TO FINANCIAL STATEMENTS

20. Other Items

A. Extraordinary items

The Company has no extraordinary items to report.

B. Troubled debt restructuring for debtors

Not Applicable

C. Other disclosures

Assets in the amount of $45,516,000 at December 31, 2008 were on deposit with government authorities or trustees as required by law. There were no assets held at December 31, 2008 that were maintained as compensating balances or pledged as collateral for bank loans and other financing agreements.

In 2007, Safeco Insurance Company of America and General Insurance Company of America made non-revocable, non-refundable contributions to the Safeco Insurance Foundation of highly appreciated marketable equity securities. Expenses for these contributions are subject to the intercompany pooling agreement described in Note 25. Contribution expense allocated to the Company amounted to $8,400,000 in 2007. The Company made no contribution to the Safeco Insurance Foundation in 2008.

As a result of the acquisition by LIH US P&C Corporation, the Company incurred $1,207,000 in stock-based compensation expense in 2008 due to the acceleration of the vesting provisions contained in stock-based compensation plans.

The acquisition by LIH US P&C Corporation, in combination with certain actions taken after the acquisition, resulted in triggering the change in control agreements for certain senior members of management. As a result, the Company expensed $5,466,000 for payments related to the change in control agreements.

In addition to the above expenses, the Company expensed $7,458,000 in 2008 related to relocation, retention, severance, lease terminations, contract buyouts and other expenses as a result of the acquisition.

The following represents net unpaid loss and loss expense reserves, as reported in columns 13-24 of Schedule P-Part 1, for accident years 1998, 1997, 1996, 1995, 1994 and prior, for each line of business reported in the Company's 2008 Schedule P ($000 omitted).

LOSS + LAE RESERVES - GROSS of SSD ($000's)

	PART A HO/FARM	PART B P AUTO	PART C C AUTO	PART D WC	PART E CMP	PART F1 MM-Occ	PART F2 MM-cm
PRIOR	95	1,785	664	23,611	12,795	0	0
Dec-94	6	17	9	2,655	790	0	0
Dec-95	30	12	13	2,938	641	0	0
Dec-96	89	36	21	2,145	924	0	0
Dec-97	15	73	28	3,558	972	4	0
Dec-98	105	175	161	6,056	1,192	5	0
TOTAL	341	2,098	896	40,963	17,314	9	0

SALVAGE/SUBROGATION/DEDUCTIBLE RESERVES ($000's)

	PART A HO/FARM	PART B P AUTO	PART C C AUTO	PART D WC	PART E CMP	PART F1 MM-Occ	PART F2 MM-cm
PRIOR	0	0	0	(617)	(1)	0	0
Dec-94	0	0	0	(25)	0	0	0
Dec-95	0	0	0	(187)	0	0	0
Dec-96	0	0	0	(104)	0	0	0
Dec-97	0	0	0	(83)	0	(0)	0
Dec-98	3	3	0	(92)	0	(0)	0
TOTAL	3	3	0	(1,108)	(1)	(0)	0

LOSS + LAE RESERVES - NET of SSD ($000's)

	PART A HO/FARM	PART B P AUTO	PART C C AUTO	PART D WC	PART E CMP	PART F1 MM-Occ	PART F2 MM-cm
PRIOR	95	1,785	664	22,994	12,793	0	0
Dec-94	6	17	9	2,629	790	0	0
Dec-95	30	12	13	2,751	641	0	0
Dec-96	89	36	21	2,041	924	0	0
Dec-97	15	73	28	3,475	972	4	0
Dec-98	109	178	161	5,965	1,192	5	0
TOTAL	344	2,102	896	39,855	17,313	9	0

NOTES TO FINANCIAL STATEMENTS

LOSS + LAE RESERVES - GROSS of SSD ($000's)

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	111	16,954	0	1	51	148	1,054
Dec-94	0	35	18	5	4	1	0
Dec-95	0	114	6	0	11	1	0
Dec-96	0	556	(7)	7	14	46	0
Dec-97	0	440	50	0	16	2	0
Dec-98	20	244	16	152	20	39	0
TOTAL	131	18,343	82	164	116	236	1,054

SALVAGE/SUBROGATION/DEDUCTIBLE RESERVES ($000's)

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	0	(9)	0	0	(0)	(319)	0
Dec-94	0	(0)	0	0	0	(1)	0
Dec-95	0	(0)	0	0	0	(0)	0
Dec-96	0	(0)	0	0	0	(0)	0
Dec-97	0	(0)	0	0	0	(6)	0
Dec-98	0	(0)	(0)	1	7	(29)	0
TOTAL	0	(10)	(0)	1	7	(355)	0

LOSS + LAE RESERVES - NET of SSD ($000's)

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	111	16,945	0	1	51	(171)	1,054
Dec-94	0	35	18	5	4	0	0
Dec-95	0	114	6	0	11	1	0
Dec-96	0	555	(7)	7	14	46	0
Dec-97	0	440	50	0	16	(4)	0
Dec-98	20	244	16	153	28	10	0
TOTAL	131	18,333	82	165	123	(119)	1,054

LOSS + LAE RESERVES - GROSS of SSD ($000's)

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	28,490	0	1,681	0	0	87,439
Dec-94	0	132	0	0	0	0	3,671
Dec-95	0	0	0	3	0	0	3,770
Dec-96	0	0	0	2	0	0	3,832
Dec-97	0	0	0	2	0	0	5,160
Dec-98	0	0	0	144	0	0	8,330
TOTAL	0	28,622	0	1,831	0	0	112,203

SALVAGE/SUBROGATION/DEDUCTIBLE RESERVES ($000's)

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	0	0	0	0	0	(946)
Dec-94	0	0	0	0	0	0	(26)
Dec-95	0	0	0	0	0	0	(187)
Dec-96	0	0	0	0	0	0	(104)
Dec-97	0	0	0	0	0	0	(89)
Dec-98	0	0	0	(0)	0	(0)	(106)
TOTAL	0	0	0	(0)	0	(0)	(1,459)

LOSS + LAE RESERVES - NET of SSD ($000's)

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	28,490	0	1,681	0	0	86,493
Dec-94	0	132	0	0	0	0	3,646
Dec-95	0	0	0	3	0	0	3,583
Dec-96	0	0	0	2	0	0	3,728
Dec-97	0	0	0	2	0	0	5,070
Dec-98	0	0	0	144	0	0	8,224
TOTAL	0	28,622	0	1,831	0	0	110,743

NOTES TO FINANCIAL STATEMENTS

D. Uncollectible premiums receivable

At December 31, 2008 and 2007, the Company had admitted assets of $187,160,740 and $199,156,642, respectively in premiums receivable due from policyholders and agents. The Company routinely assesses the collectibility of these receivables. Based on Company experience, the Company estimated the uncollectible premiums receivable and recorded an additional provision in the amount of $1,847,865. At December 31, 2008, the additional provision for uncollectible premiums receivable represents the amount of expected uncollectible premiums in excess of the non-admitted premiums of $4,414,677.

E. Business Interruption Insurance Recoveries

Not Applicable

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. Hybrid Securities

The following details the hybrid securities held by the Company as of December 31, 2008. The securities are reported on Schedule D – Part 2, Section 1.

CUSIP	Issuer	Description	Book/Adjusted Carry Value
060505DT8	Bank of America	Depository Shares	5,610,000
173094AA1	Citigroup Inc.	Trust Preferred	2,940,000
48124G104	JP Morgan	Capital Security	6,750,000
94986EAA8	Wells Fargo	Capital Security	1,620,000

H. Subprime Mortgage Related Risk

1. The Company uses the following characteristics in determining whether an investment should be classified as subprime: loan size; average FICO score; percent of credit enhancement or subordination, required by rating agencies to obtain a AAA rating; percent of loan-to-value; and the percent of loans with full borrower documentation in terms of income, employment and owner occupancy.

2. Direct exposure through investments in subprime mortgage loans.

   The Company has no mortgage loans.

3. Direct exposure through other investments.

   The Company has subprime exposure through other investments.

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities				
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities	$2,615,739	$2,615,739	$2,399,148	0
e. Equity investment in SCAs				
f. Other assets				
g. Total				

4. Underwriting exposure to the subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.

   The Company does not have underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.

NOTES TO FINANCIAL STATEMENTS

21. Events Subsequent

Effective December 31 2008, Safeco Corporation's other post-retirement benefits plan was terminated. Effective January 1, 2009, the Company employees will be participating in the Liberty Mutual healthcare and life insurance program. See Note 12 for further disclosures.

Effective January 1, 2009, the Company's intercompany reinsurance pooling agreement was terminated and the Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. See Note 25 for further disclosures.

Effective January 1, 2009, the Company was added to the Peerless Insurance Company Services Agreement via Amendment No. 7. The Services Agreement allows for consolidation of services across the Agency Markets Regional Companies insurance companies.

Effective January 1, 2009, the Company entered into Management Services Agreements with Liberty Mutual Insurance Company (LMIC). Other members of the Agency Markets strategic business unit are parties to similar Management Services Agreements with LMIC.

22. Reinsurance

A. Unsecured Reinsurance Recoverables

Safeco Insurance Group (NAIC# 1635) has intercompany reinsurance agreements which provide that Safeco Insurance Company of America assumes all insurance business of the affiliated property and casualty insurance companies included in its combined statutory statement. After arranging for needed reinsurance with third parties, Safeco Insurance Company of America retains 33% and cedes General Insurance Company of America 23%; American States Insurance Company 19%; American Economy Insurance Company 14%; Safeco Insurance Company of Illinois 5%; American States Preferred Insurance Company 2%; First National Insurance Company of America 2%; and Safeco National Insurance Company 2%.

The following insurance companies do not assume any business from Safeco Insurance Company of America: American States Insurance Company of Texas; American State Lloyds Insurance Company; Insurance Company of Illinois; Safeco Insurance Company of Indiana; Safeco Insurance Company of Oregon; Safeco Lloyds Insurance Company; Safeco Surplus Insurance Company.

Assets and liabilities related to insurance underwriting are similarly shared.

The Company has no unsecured reinsurance recoverables with non-affiliated insurers.

Safeco Insurance Group has aggregate unsecured amounts recoverable, which exceed 3% of the Lead Company's policyholder surplus at December 31, 2008 from the following non-affiliated reinsurers:

FEIN	NAIC	Reinsurer	Recoverable
AA-9991159	00000	Michigan Catastrophic Claims Association	86,064,690
13-1675535	25364	Swiss Rein. America Corp.	74,135,462
48-0921045	39845	Westport Insurance Corp.	63,681,087
13-2673100	22039	General Reins. Corp.	45,746,343
13-4924125	10227	Munich Reins. America, Inc.	42,803,731
AA-1122000	00000	Lloyd's of London	38,296,210
AA-9991423	00000	MN Workers Comp. Reins. Assoc.	24,783,627

B. Reinsurance Recoverables in Dispute

The Company had no reinsurance recoverable balances in dispute which individually exceed 5% of surplus or in the aggregate 10% of surplus.

C. Reinsurance Assumed and Ceded

1)		Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
		(1) Premium Reserve	(2) Commission Equity	(3) Premium Reserve	(4) Commission Equity	(5) Premium Reserve	(6) Commission Equity
a.	Affiliates	$ 282,740,334	$ 40,761,593	$ 191,436,474	$ 28,530,312	$ 91,303,860	$ 12,231,280
b.	All Other	$ -	$ -	-	-	-	-
c.	TOTAL	$ 282,740,334	$ 40,761,593	$ 191,436,474	$ 28,530,312	$ 91,303,860	$ 12,231,280

d. Direct Unearned Premium Reserve: $ 191,436,474

NOTES TO FINANCIAL STATEMENTS

2) The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

		(1) Direct	(2) Assumed	(3) Ceded	(4) Net
a.	Contingent Commission	$ 6,135,930	$ -	$ -	$ 6,135,930
b.	Sliding Scale Adjustments		-	-	-
c.	Other Profit Commission Arrangements	-	-	-	-
d.	TOTAL	$ 6,135,930	$ -	$ -	$ 6,135,930

3) The Company does not have protected cells.

D. Uncollectible Reinsurance

There were no uncollectible reinsurances balances written off during the year.

E. Commutation of Ceded Reinsurance

The Company did not have any commutations recorded in operating results for the year ending December 31, 2008.

F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements.

G. Reinsurance Accounted for as a Deposit

The Company has not entered into any deposit type reinsurance agreements as of December 31, 2008.

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method used to estimate

The Company sells workers compensation policies for which the premiums vary based on loss experience. Future premium adjustments for these retrospective policies are estimated and accrued. The company estimates these accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case basis loss development with that anticipated in the policy contracts to arrive at the best estimates of return or additional retrospective premiums.

B. Method used to record

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

C. Amount and percent of net retrospective premiums

Net premiums written for 2008 on retrospective workers compensation policies was $249,307 or 1.4% of total workers compensation net premiums written.

D. Calculation of nonadmitted accrued retrospective premiums

a.	Total accrued retro premium	$ 363,249
b.	Unsecured amount	363,249
c.	Less: Nonadmitted amount (10%)	36,325
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount: a - c - d	$ 326,924

NOTES TO FINANCIAL STATEMENTS

24. Change in Incurred Losses and Loss Adjustment Expenses

In 2008, we reduced our estimates for prior years' loss and LAE reserves by $20.0 million. This total decrease includes loss and defense and cost containment expenses changes as follows:

- $8.0 million reduction in surety reserves reflecting lower-than-expected number of claims.
- $3.1 million reduction in other liability - occurrence driven primarily by favorable development of $2.4 million due to lower-than-expected claim number in construction defect.
- $8.1 million reduction in private passenger auto liability reserves, reflecting decreases in severity estimates primarily in accident years 2005 through 2007.
- $4.1 million reduction in commercial multiple peril reserves. This includes a reduction in construction defect reserves of $1.5 million reflecting lower-than-expected number of claims. The remaining decrease was due to lower-than-expected claim severity in property and liability.
- $2.0 million reduction in other liability – claims-made due to a decrease due to lower-than-expected claim severity.
- $3.1 million increase in commercial auto/truck liability reserves reflecting increases in severity estimates for prior accident years.

The remaining $2.2 million increase was in a number of lines including adjusting and other payments. This increase is due to emerging claim trends and related loss data.

25. Intercompany Pooling Arrangements

A. The Company participates in an intercompany reinsurance agreement which provides that Safeco Insurance Company of America, the lead company, will assume all insurance business of the affiliated property and casualty insurance companies. After arranging for needed reinsurance with unaffiliated third parties, Safeco Insurance Company of America cedes a fixed portion of premiums, losses and insurance expenses to the affiliated property and casualty insurance companies according to the following participation percentages:

		Participation	
	NAIC #	2008	2007
Safeco Insurance Company of America	24740	33%	33%
General Insurance Company of America	24732	23%	23%
First National Insurance Company of America	24724	2%	2%
Safeco National Insurance Company	24759	2%	2%
Safeco Insurance Company of Illinois	39012	5%	5%
American States Insurance Company	19704	19%	19%
American Economy Insurance Company	19690	14%	14%
American States Preferred Insurance Company	39214	2%	2%

The intercompany reinsurance pooling agreement with Safeco Insurance Company of America was terminated effective January 1, 2009.

Effective January 1, 2009, the existing Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. The Company's percentage in the PIC pool is 5.60%.

NOTES TO FINANCIAL STATEMENTS

Therefore, effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement consisted of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company	24198	25.20%	All Lines
Affiliated Pool Companies:	America First Insurance Company	12696	0.00%	All Lines
	America First Lloyd's Insurance Company	11526	0.00%	All Lines
	American Ambassador Casualty Company	10073	0.00%	All Lines
	Colorado Casualty Insurance Company	41785	0.00%	All Lines
	Consolidated Insurance Company	22640	0.00%	All Lines
	Excelsior Insurance Company	11045	0.00%	All Lines
	Globe American Casualty Company	11312	0.00%	All Lines
	Golden Eagle Insurance Corporation	10836	3.00%	All Lines (Except WC)
	Hawkeye-Security Insurance Company	36919	0.00%	All Lines
	Indiana Insurance Company	22659	4.80%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company	23507	0.00%	All Lines
	The Midwestern Indemnity Company	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company	14613	0.00%	All Lines
	The Netherlands Insurance Company	24171	1.80%	All Lines
	Peerless Indemnity Insurance Company	18333	3.00%	All Lines
	National Insurance Association	27944	0.00%	All Lines
	The Ohio Casualty Insurance Company	24074	20.40%	All Lines
	Avomark Insurance Company	10798	0.00%	All Lines
	West American Insurance Company	44393	0.00%	All Lines
	American Fire and Casualty Company	24066	0.60%	All Lines
	Ohio Security Insurance Company	24082	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc.	10937	0.00%	All Lines
	Insurance Company of Illinois (ICI)	26700	0.00%	All Lines
	Safeco Insurance Company of Illinois (SICIL)	39012	2.00%	All Lines
	American Economy Insurance Company (AEIC)	19690	5.60%	All Lines
	American States Insurance Company (ASIC)	19704	7.60%	All Lines
	American States Preferred Insurance Company (ASPIC)	37214	0.80%	All Lines
	Safeco Insurance Company of Indiana (SICIN)	11215	0.00%	All Lines
	Safeco National Insurance Company (SNIC)	24759	0.00%	All Lines
	Safeco Insurance Company of Oregon (SICO)	11071	0.00%	All Lines
	American States Lloyds Insurance Company (ASLIC)	31933	0.00%	All Lines
	Safeco Lloyds Insurance Company (SLIC)	11070	0.00%	All Lines
	First National Insurance Company of America (FNICA)	24724	0.80%	All Lines
	General Insurance Company of America (GICA)	24732	9.20%	All Lines
	Safeco Insurance Company of America (SICA)	24740	15.20%	All Lines
	Safeco Surplus Lines Insurance Company (SSLIC)	11100	0.00%	All Lines
	American States Insurance Company of Texas (ASICT)	19712	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BEIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

B. All lines and types of business are subject to the agreement. Assets and liabilities related to insurance underwriting are similarly shared.

C. After cessions to unaffiliated reinsurers are applied, Safeco Insurance Company of America cedes a fixed portion of premiums, losses and insurance expenses to the affiliated property and casualty insurance companies according to the participation percentages detailed in item A above.

D. The lead company and American States Insurance Company are the only affiliates that participate in reinsurance agreements whereby risk is ceded to unaffiliated reinsurers.

E. There are no discrepancies between entries regarding pooled business assumed and ceded reinsurance schedules of the lead company and corresponding entries on the assumed and ceded reinsurance schedules of the other participants.

F. The lead company and American States Insurance Company carry 100% of the Provision for Reinsurance. Any write-offs of uncollectible ceded reinsurance from unaffiliated reinsurers are applied and ceded to the participants in accordance with the provisions of the intercompany reinsurance agreement.

NOTES TO FINANCIAL STATEMENTS

G. The amounts due to/from the lead company, Safeco Insurance Company of America, and all affiliated entities participating in the intercompany pool as of December 31, 2008 were as follows:

Affiliated Company	Amount Due (To) From
General Insurance Company of America	($17,429,790)
American States Insurance Company	($2,754,580)
American Economy Insurance Company	($10,745,596)
Safeco Insurance Company of Illinois	$18,887,925
First National Insurance Company of America	$3,619,799
Safeco National Insurance Company	($1,651,246)
American States Preferred Insurance Company	$359,420
Safeco Lloyds Insurance Company	$1,251,059
Safeco Surplus Lines Insurance Company	($429,770)
Safeco Insurance Company of Oregon	$3,400,374
American States Insurance Company of Texas	$490,271
American States Lloyds Insurance Company	$1,021
Insurance Company of Illinois	($320,781)
Safeco Insurance Company of Indiana	($1,133,837)

26. Structured Settlements

A. Reserves Released due to Purchase of Annuities

The Company has purchased annuities from life insurers under which the claimants are payees. The Company has a contingent liability of $1,080,083 should the issuers of these annuities fail to perform under the terms of the annuities. The contingent liability is equivalent to the reserves set by the life insurer from whom the annuity was purchased. The Company has released all reserves on closed claims where structured settlement was purchased.

B. Annuity insurers with balances due greater than 1% of policyholders' surplus

Not applicable.

27. Health Care Receivables

A. Pharmacy rebates billed, received and accrued for twelve quarters

The Company does not have pharmacy rebates.

B. Risk sharing receivables billed, received and accrued for three years

The Company does not have risk sharing receivables.

28. Participating Accident and Health Policies

The Company does not have participating accident and health policies.

29. Premium Deficiency Reserves

Not Applicable

30. High Deductibles

The Company has a minimal amount of High Deductible policies that have been in run off since 2002. As of December 31, 2008, the amount of reserve credit and any unsecured recoverable was not material to the Company's financial statements.

31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

In September 2008, the Company began discounting workers' compensation reserves for unpaid losses using a tabular discount on the estimated long-term annuity portion of certain workers' compensation claims. The financial impact of the change in accounting principle is described in Note 2.

The tabular discount is based on Liberty Mutual experience and Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2008, the liabilities for workers' compensation unpaid losses include $95,019,845 of liabilities carried at a discounted value of $88,159,901 representing a discount of $6,859,944.

A. Tabular Discounts

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	(1) Case	(2) IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers' Compensation		$6,859,944
5. Commercial Multiple Peril		
6. Medical Malpractice - occurrence		
7. Medical Malpractice - claims-made		
8. Special Liability		
9. Other Liability – occurrence		
10. Other Liability - claims-made		
11. Special Property		
12. Auto Physical Damage		
13. Fidelity, Surety		
14. Other (including Credit, Accident & Health)		
15. International		
16. Reinsurance Nonproportional Assumed Property		
17. Reinsurance Nonproportional Assumed Liability		
18. Reinsurance Nonproportional Assumed Financial Lines		
19. Products Liability – occurrence		
20. Products Liability - claims-made		
21. Financial Guaranty/Mortgage Guaranty		
22. Total		

B. Non-tabular discounts

Not Applicable

C. Changes in discount assumptions

Not Applicable

32. Asbestos and Environmental Reserves

The Company has both asbestos and environmental claims exposures. The Company's exposure arises predominantly from general liability policies written prior to 1986. The vast majority of Property and Casualties environmental, asbestos, and other toxic claims resulted from the commercial general liability line of business and the discontinued assumed reinsurance operations of American States.

The Company establishes full case reserves for all reported asbestos and environmental claims. Reserves for losses incurred by not reported (IBNR) include a provision for unreported claims as well as a provision for development of reserves on reported claims. The Company's IBNR reserves are established based on a review of a number of actuarial analyses including reported year average cost models and an examination of survival ratios using company and industry information.

In 2004, the classification of environmental reserves was refined to include only claims involving gradual discharge or leakage of pollutants or contaminants into the environment. These claims involve multiple policy periods and the exact date of occurrence is generally not determinable. These claims typically involve underground storage tanks, official United States EPA sites (Superfund), Clean Water Act allegations, and other exposures prior to the ISO pollution exclusion. The environmental data below has been restated to reflect this revised definition. Reserves related to other toxic torts and other latent bodily injury claims are excluded from the environmental tables below.

The Company's direct asbestos and environmental related loss and loss adjustment expense for each of the most recent five calendar years is presented in the following tables.

NOTES TO FINANCIAL STATEMENTS

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

ASBESTOS

A. (1) Direct

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$5,269,966	$8,870,649	$12,031,584	$14,911,621	$15,060,958
b.	Incurred Loss and ALAE	4,723,238	4,080,440	4,039,190	1,893,095	3,051,734
c.	Calendar payments for Loss and ALAE	1,122,555	919,505	1,159,153	1,743,758	2,043,128
d.	Ending Reserves:	$8,870,649	$12,031,584	$14,911,621	$15,060,958	$16,069,564

(2) Assumed

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$14,616,511	$14,917,629	$14,028,976	$13,966,646	$16,824,920
b.	Incurred Loss and ALAE	1,235,008	(85,960)	791,515	4,252,478	(796,911)
c.	Calendar payments for Loss and ALAE	933,890	802,693	853,845	1,394,204	1,792,187
d.	Ending Reserves:	$14,917,629	$14,028,976	$13,966,646	$16,824,920	$14,235,822

(3) Net of Reinsurance

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$17,627,354	$19,854,471	$22,251,350	$23,911,065	$26,384,172
b.	Incurred Loss and ALAE	4,146,941	4,005,676	3,586,226	5,019,181	829,192
c.	Calendar payments for Loss and ALAE	1,919,824	1,608,797	1,926,511	2,546,074	2,279,912
d.	Ending Reserves:	$19,854,471	$22,251,350	$23,911,065	$26,384,172	$24,933,452

B. State the amount of ending reserves for Bulk + IBNR included in A (Loss and ALAE):

(1) Direct	$7,639,629
(2) Assumed	$3,603,138
(3) Net of Reinsurance	$9,447,442

C. State the amount of ending reserves for allocated loss adjustment expenses included in A (Case, Bulk + IBNR):

(1) Direct	$5,876,338
(2) Assumed	$496
(3) Net of Reinsurance	$4,736,496

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

ENVIRONMENTAL

D. (1) Direct

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$ 14,919,557	$ 15,820,869	$ 18,025,233	$ 17,237,672	$ 14,056,792
b.	Incurred Loss and ALAE	2,702,909	4,200,578	901,340	39,663	157,841
c.	Calendar payments for Loss and ALAE	1,801,597	1,996,214	1,688,901	3,220,543	1,897,686
d.	Ending Reserves:	$ 15,820,869	$ 18,025,233	$ 17,237,672	$ 14,056,792	$ 12,316,947

(2) Assumed

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$ 6,623,295	$ 7,027,322	$ 4,657,264	$ 4,195,839	$ 4,115,496
b.	Incurred Loss and ALAE	539,469	(2,029,473)	88,328	36,087	104,778
c.	Calendar payments for Loss and ALAE	135,442	340,585	549,753	116,430	183,986
d.	Ending Reserves:	$ 7,027,322	$ 4,657,264	$ 4,195,839	$ 4,115,496	$ 4,036,288

(3) Net of Reinsurance

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$ 20,447,991	$ 21,651,277	$ 20,845,343	$ 18,814,801	$ 16,321,006
b.	Incurred Loss and ALAE	2,791,699	1,022,332	95,321	153,534	177,635
c.	Calendar payments for Loss and ALAE	1,588,413	1,828,266	2,125,863	2,647,329	1,296,196
d.	Ending Reserves:	$ 21,651,277	$ 20,845,343	$ 18,814,801	$ 16,321,006	$ 15,202,445

E. State the amount of ending reserves for Bulk + IBNR included in D (Loss and ALAE):

(1) Direct	$ 7,730,552
(2) Assumed	$ 2,596,623
(3) Net of Reinsurance	$ 10,056,863

F. State the amount of ending reserves for allocated loss adjustment expenses included in D (Case, Bulk + IBNR):

(1) Direct	$ 5,705,376
(2) Assumed	$ -
(3) Net of Reinsurance	$ 5,564,051

NOTES TO FINANCIAL STATEMENTS

33. Subscriber Savings Accounts

Not Applicable

34. Multiple Peril Crop Insurance

Not Applicable

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 [ ] NA [ ]

1.3 State Regulating? Indiana

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. 12/31/2005

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. 12/31/2005

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). 06/18/2007

3.4 By what department or departments? Indiana

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [X] No [ ] NA [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] NA [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] 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 Company 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(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

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

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

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

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 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, 999 Third Ave Suite 3500, Seattle, WA 98104

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?
   Lewis V. Augustine, Vice President & Chief Actuary. Safeco, Safeco Plaza, Seattle, WA 98185

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No [ ]

11.11 Name of real estate holding company Multiple

11.12 Number of parcels involved 7

11.13 Total book/adjusted carrying value $ 0

11.2 If yes, provide explanation
   Partnerships that generate historic tax credits.

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 [ ] NA [ ]

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 [ ]

GENERAL INTERROGATORIES

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 $
- 18.12 To stockholders not officers $
- 18.13 Trustees, supreme or grand (Fraternal only) $

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers $
- 18.22 To stockholders not officers $
- 18.23 Trustees, supreme or grand (Fraternal only) $

19.1 Were any assets reported in the 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 $ 0
- 20.22 Amount paid as expenses $ 0
- 20.23 Other amounts paid $ 0

21.1 Does the reporting entity report any amounts due from the 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: $ 0

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes [X] No [ ]

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)

The Company had a securities lending agreement with Bank of New York. There were no loaned securities at 12/31/08. The company was added to an existing securities lending agreement with JP Morgan on 12/22/08. No securities were loaned prior to 12/31/08. Details are provided in note 17.

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

22.5 If answer to 22.4 is YES, report amount of collateral $

22.6 If answer to 22.4 is NO, report amount of collateral $ 0

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [X] No [ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements $
- 23.22 Subject to reverse repurchase agreements $
- 23.23 Subject to dollar repurchase agreements $
- 23.24 Subject to reverse dollar repurchase agreements $
- 23.25 Pledged as collateral $
- 23.26 Placed under option agreements $
- 23.27 Letter stock or securities restricted as to sale $
- 23.28 On deposit with state or other regulatory body $ 45,515,978
- 23.29 Other $

23.3 For category (23.27) 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 [ ] NA [ ]
If no, attach a description with this statement.

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. $

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - 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
The Bank of New York Mellon	700 S Flower St, Ste 200, Los Angeles, CA 90017

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)	2 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	2 Address
107105	BlackRock Financial Management	40 East 52nd Street, New York, NY 10022
None	Liberty Mutual Insurance Company	175 Berkeley Street, Boston, MA 02116
None	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116

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

GENERAL INTERROGATORIES

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	1,084,682,214	1,026,304,973	(58,377,241)
28.2 Preferred stocks	34,573,382	34,435,682	(137,700)
28.3 Totals	1,119,255,596	1,060,740,655	(58,514,941)

28.4 Describe the sources or methods utilized in determining the fair values:

Fair values are based on quoted market prices when available. For securities not actively traded, fair value is estimated based on values obtained from independent pricing services, market prices of comparable instruments, discounted cash flows, and other valuation techniques.

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? $ 4,274,289

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

31.1 Amount of payments for legal expenses, if any? $ 1,184,650

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
Skadden Arps Slate Meagher & Flom LLP	719,023

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 145,500

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
American Insurance Association	121,998

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

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. $ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0

1.62 Total incurred claims $ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $ 0

1.65 Total incurred claims $ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0

1.72 Total incurred claims $ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $ 0

1.75 Total incurred claims $ 0

1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 774,160,269	$ 782,878,667
2.3	Premium Ratio (2.1/2.2)	0.000	0.000
2.4	Reserve Numerator	$ 2,104,813	$ 2,320,886
2.5	Reserve Denominator	$ 706,673,285	$ 1,007,840,250
2.6	Reserve Ratio (2.4/2.5)	0.003	0.002

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No [ ]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies $ 75,668

3.22 Non-participating policies $ 785,470,258

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 [ ] NA [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] NA [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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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:

The Company purchases a Workers Compensation Excess of Loss reinsurance treaty and a Workers Compensation Catastrophe Reinsurance treaty to protect itself from excessive loss in the event of a catastrophe under a Workers Compensation contract.

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

The Company estimates its catastrophic loss PML by having Aon Risk Services run 3 separate models. The Company receives PML estimates for earthquake (incl fire following and sprinkler leakage), hurricane and tornado/hail. Based on these models, the largest PML would involve a CA earthquake event

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

The Company utilizes catastrophe reinsurance to protect itself from an excessive loss arising from property exposures.

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 [ ]

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 the 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 agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common 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 affiliates 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 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]

(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]

(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances 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 [ ]

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

11.1 Has the reporting entity guaranteed policies issued by any other 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 asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $ 674,706
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 24,560
12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 10,271
12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [X] NA [ ]
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 the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]
12.6 If yes, state the amount thereof at December 31 of the current year:
12.61 Letters of Credit $
12.62 Collateral and other funds $ 245,000

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 5,000,000
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 the amount. 1

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]
14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ]
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 answer to 14.4 is no, please explain:

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

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

Incurred but not reported losses on contracts not 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	$
17.12	Unfunded portion of Interrogatory 17.11	$
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$
17.14	Case reserves portion of Interrogatory 17.11	$
17.15	Incurred but not reported portion of Interrogatory 17.11	$
17.16	Unearned premium portion of Interrogatory 17.11	$
17.17	Contingent commission portion of Interrogatory 17.11	$

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	$
17.19	Unfunded portion of Interrogatory 17.18	$
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$
17.21	Case reserves portion of Interrogatory 17.18	$
17.22	Incurred but not reported portion of Interrogatory 17.18	$
17.23	Unearned premium portion of Interrogatory 17.18	$
17.24	Contingent commission portion of Interrogatory 17.18	$

FIVE-YEAR HISTORICAL DATA

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

	1 2008	2 2007	3 2006	4 2005	5 2004
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)	394,970,745	429,844,796	426,353,654	433,709,063	438,646,088
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	210,796,889	220,383,079	225,299,029	243,989,962	247,794,085
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	474,783,174	513,612,001	498,360,950	507,189,410	533,979,772
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	63,282,456	54,846,029	46,148,527	39,413,362	32,975,046
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,494	154	196	2,004	6,584
6. Total (Line 35)	1,143,834,758	1,218,686,060	1,196,162,355	1,224,303,801	1,253,401,576
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)	311,601,546	338,393,068	340,078,216	349,948,056	334,852,157
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	189,051,399	196,561,714	202,555,069	221,610,321	217,427,659
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	183,947,163	202,298,091	197,404,331	203,203,483	209,684,365
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	63,131,763	54,607,233	45,893,680	39,192,651	32,646,706
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,494	154	196	2,004	6,584
12. Total (Line 35)	747,733,365	791,860,260	785,931,492	813,956,515	794,617,471
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	20,621,541	50,847,554	91,026,526	74,279,669	63,845,630
14. Net investment gain (loss) (Line 11)	49,634,935	66,272,024	63,598,472	66,021,774	73,386,706
15. Total other income (Line 15)	1,257,861	2,485,590	(34,792)	1,207,319	1,769,385
16. Dividends to policyholders (Line 17)	930,371	664,240	929,600	398,944	299,811
17. Federal and foreign income taxes incurred (Line 19)	8,355,046	21,028,924	32,571,361	35,906,520	30,432,994
18. Net income (Line 20)	62,228,920	97,912,004	121,089,244	105,203,298	108,268,916
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,438,460,340	1,525,338,883	1,634,750,860	1,643,255,880	1,567,935,175
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	69,671,737	95,385,921	86,151,091	73,364,932	17,533,545
20.2 Deferred and not yet due (Line 13.2)	117,162,078	103,485,496	115,085,056	134,033,555	138,032,604
20.3 Accrued retrospective premiums (Line 13.3)	326,924	285,225	337,851	335,779	519,688
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,129,311,330	1,125,004,856	1,105,961,426	1,140,753,327	1,076,652,233
22. Losses (Page 3, Line 1)	542,818,524	534,861,501	528,305,485	551,706,622	547,665,750
23. Loss adjustment expenses (Page 3, Line 3)	126,537,370	127,344,417	134,887,461	135,679,697	127,017,410
24. Unearned premiums (Page 3, Line 9)	282,825,872	309,075,031	299,890,987	301,682,953	301,424,073
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	309,149,010	400,334,027	528,789,434	502,502,553	491,282,942
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	60,737,162	104,313,556	124,205,670	98,392,540	183,950,840
Risk-Based Capital Analysis					
28. Total adjusted capital	309,149,010	400,334,027	528,789,434	502,502,553	491,282,942
29. Authorized control level risk-based capital	64,309,664	69,011,838	68,136,040	68,237,087	65,831,136
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)	85.3	82.3	85.6	89.9	89.5
31. Stocks (Lines 2.1 & 2.2)	4.9	15.5	14.3	10.1	10.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	9.8	2.2	0.0	0.0	0.0
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.0	0.0	0.0	0.0	0.0
37. Receivables for securities (Line 8)	0.0	0.0	0.0	0.0	0.2
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	21,443,102	20,390,000	19,499,000	18,830,000	17,660,000
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
44. Affiliated mortgage loans on real estate	0	0	0	0	0
45. All other affiliated	0	0	0	0	0
46. Total of above Lines 40 to 45	21,443,102	20,390,000	19,499,000	18,830,000	17,660,000
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)	6.9	5.1	3.7	3.7	3.6

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2008	2 2007	3 2006	4 2005	5 2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(31,019,580)	3,531,864	8,568,010	152,987	2,410,307
49. Dividends to stockholders (Line 35)	(107,000,000)	(230,000,000)	(105,000,000)	(100,000,000)	(30,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	(91,185,018)	(128,455,407)	26,286,881	11,219,611	98,544,766
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)	223,057,047	247,240,908	234,375,368	231,438,686	229,303,236
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	118,786,260	120,152,576	124,279,776	125,501,751	113,197,759
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	305,288,115	233,742,938	238,371,586	233,468,225	271,768,086
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,221,631	(356,777)	3,749,510	9,598,103	3,607,223
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,957,848	1,943,449	(70,579)	1,482,694	1,299,624
56. Total (Line 35)	653,310,901	602,723,094	600,705,660	601,489,459	619,175,929
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)	178,794,687	204,802,544	186,582,220	184,446,037	172,853,737
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	107,519,503	109,017,276	114,125,460	116,437,205	103,852,949
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	122,493,601	94,014,082	89,660,946	88,137,865	92,790,601
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,193,579	(438,537)	3,646,039	9,593,839	3,413,418
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,957,848	1,943,449	(70,579)	1,482,694	1,299,624
62. Total (Line 35)	414,959,218	409,338,813	393,944,087	400,097,641	374,210,330
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)	55.5	53.1	47.1	49.7	51.0
65. Loss expenses incurred (Line 3)	11.5	9.7	11.4	12.7	12.2
66. Other underwriting expenses incurred (Line 4)	30.3	30.7	30.0	28.6	28.5
67. Net underwriting gain (loss) (Line 8)	2.7	6.5	11.6	9.1	8.2
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 35 x 100.0)	31.2	30.0	30.0	28.4	27.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	67.0	62.9	58.5	62.3	63.2
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	241.9	197.8	148.6	162.0	161.7
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)	(21,805)	(20,569)	(19,528)	(14,306)	(9,561)
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 100.0)	(5.4)	(3.9)	(3.9)	(2.9)	(2.4)
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)	(31,290)	(43,138)	(17,892)	(18,188)	21,635
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)	(5.9)	(8.6)	(3.6)	(4.6)	5.8

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
				4	5	6	7	8	9	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	XXX	XXX	XXX	16,394	6,871	3,884	1,735	1,067	0	81	12,739	XXX
2. 1999	635,778	23,015	612,763	426,661	7,202	27,916	147	50,531	0	22,000	497,758	XXX
3. 2000	660,022	22,822	637,200	447,603	6,667	27,192	761	50,297	0	24,904	517,664	XXX
4. 2001	647,393	21,207	626,186	414,982	8,342	28,672	1,189	53,801	0	22,047	487,924	XXX
5. 2002	650,395	17,416	632,980	348,206	4,637	25,755	867	55,512	0	24,156	423,967	XXX
6. 2003	706,425	20,180	686,245	341,023	3,773	21,594	404	58,123	0	23,518	416,562	XXX
7. 2004	792,907	18,841	774,067	383,763	3,392	21,002	245	59,547	0	32,380	460,675	XXX
8. 2005	832,318	18,389	813,929	375,594	5,079	17,933	418	59,905	0	29,179	447,935	XXX
9. 2006	819,622	32,121	787,501	344,835	3,966	11,383	1,374	56,550	0	26,306	407,427	XXX
10. 2007	835,079	52,200	782,879	321,375	7,977	7,026	1,150	53,744	0	25,992	373,019	XXX
11. 2008	807,742	33,582	774,160	244,954	3,694	2,644	457	50,475	0	14,460	293,922	XXX
12. Totals	XXX	XXX	XXX	3,665,391	61,601	194,999	8,747	549,553	0	245,021	4,339,594	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	Salvage and Subrog-ation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstand-ing - Direct and Assumed
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1.	83,419	26,977	40,496	9,503	6,427	816	10,231	626	8,092	0	1,459	110,743	XXX
2.	6,301	659	4,261	683	492	0	1,066	(10)	899	0	145	11,688	XXX
3.	8,036	1,330	4,255	901	443	3	2,047	361	1,003	0	404	13,191	XXX
4.	8,779	1,161	3,592	743	618	48	1,890	2	930	0	430	13,855	XXX
5.	7,600	425	2,972	297	781	11	1,784	6	588	0	220	12,986	XXX
6.	6,500	416	2,929	168	635	4	2,153	(1)	568	0	643	12,198	XXX
7.	8,996	1,475	3,841	5	1,383	1	3,075	(2)	632	0	4,681	16,448	XXX
8.	22,143	279	5,374	(234)	2,334	3	4,847	(3)	869	0	2,022	35,521	XXX
9.	46,309	1,079	9,686	197	3,638	3	8,678	5	1,118	0	3,263	68,145	XXX
10.	79,094	795	29,805	797	3,274	0	16,739	149	2,565	0	10,755	129,736	XXX
11.	120,736	1,910	88,851	1,593	1,822	6	24,928	148	12,165	0	24,728	244,845	XXX
12. Totals	397,914	36,504	196,062	14,653	21,847	895	77,438	1,281	29,429	0	48,751	669,356	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	27	28	29	30	31	32	33	Inter-Company Pooling Participation Percentage	35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	87,435	23,308
2.	518,127	8,681	509,446	81.5	37.7	83.1	0	0		9,221	2,467
3.	540,877	10,023	530,854	81.9	43.9	83.3	0	0		10,061	3,130
4.	513,265	11,485	501,780	79.3	54.2	80.1	0	0		10,468	3,388
5.	443,197	6,243	436,954	68.1	35.8	69.0	0	0		9,851	3,136
6.	433,525	4,765	428,760	61.4	23.6	62.5	0	0		8,846	3,352
7.	482,239	5,115	477,123	60.8	27.2	61.6	0	0		11,357	5,091
8.	488,999	5,543	483,456	58.8	30.1	59.4	0	0		27,472	8,049
9.	482,196	6,624	475,572	58.8	20.6	60.4	0	0		54,719	13,426
10.	513,622	10,868	502,754	61.5	20.8	64.2	0	0		107,307	22,429
11.	546,575	7,807	538,767	67.7	23.2	69.6	0	0		206,084	38,762
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	542,819	126,537

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 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 One Year	12 Two Year
1. Prior	362,707	365,483	383,924	387,223	402,504	404,285	413,288	422,358	422,853	425,968	3,115	3,610
2. 1999	419,103	437,262	449,475	451,801	459,330	458,010	458,375	459,505	458,067	458,016	(51)	(1,489)
3. 2000	XXX	456,890	473,735	478,626	484,761	483,445	483,588	481,947	480,416	479,554	(862)	(2,393)
4. 2001	XXX	XXX	450,187	449,516	448,590	450,401	451,387	449,607	447,773	447,048	(724)	(2,559)
5. 2002	XXX	XXX	XXX	399,918	397,821	392,579	383,632	381,782	380,850	380,854	4	(929)
6. 2003	XXX	XXX	XXX	XXX	390,476	385,202	375,024	372,308	371,669	370,070	(1,600)	(2,239)
7. 2004	XXX	XXX	XXX	XXX	XXX	433,907	428,228	422,429	418,702	416,944	(1,759)	(5,485)
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	454,223	438,281	424,277	422,683	(1,594)	(15,598)
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	422,113	425,154	417,905	(7,249)	(4,208)
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	457,530	446,445	(11,085)	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	476,127	XXX	XXX
										12. Totals	(21,805)	(31,290)

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 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	104,024	167,652	212,221	241,592	261,278	276,955	291,585	304,785	316,457	XXX	XXX
2. 1999	231,884	328,077	375,797	405,196	423,145	432,536	439,137	443,057	445,495	447,227	XXX	XXX
3. 2000	XXX	250,437	353,386	402,047	431,953	448,354	458,636	462,366	465,578	467,367	XXX	XXX
4. 2001	XXX	XXX	236,139	332,578	377,684	403,507	419,221	427,056	431,265	434,123	XXX	XXX
5. 2002	XXX	XXX	XXX	201,083	286,057	323,063	346,438	357,487	364,534	368,456	XXX	XXX
6. 2003	XXX	XXX	XXX	XXX	199,718	278,989	317,338	339,386	353,102	358,439	XXX	XXX
7. 2004	XXX	XXX	XXX	XXX	XXX	217,226	317,978	363,902	388,960	401,128	XXX	XXX
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	220,236	316,280	361,257	388,031	XXX	XXX
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	218,137	315,045	350,877	XXX	XXX
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	224,744	319,275	XXX	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	243,446	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 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008
1. Prior	153,876	120,165	100,346	82,085	82,451	62,140	60,176	56,808	49,158	47,458
2. 1999	69,824	28,299	15,276	9,473	8,472	7,519	6,405	6,473	4,952	4,654
3. 2000	XXX	80,556	30,180	14,184	12,285	9,139	9,092	7,673	6,470	5,040
4. 2001	XXX	XXX	91,850	31,596	16,110	10,913	10,103	8,287	5,683	4,737
5. 2002	XXX	XXX	XXX	96,944	43,636	24,691	11,848	7,417	5,446	4,453
6. 2003	XXX	XXX	XXX	XXX	95,540	39,637	16,203	10,043	6,600	4,915
7. 2004	XXX	XXX	XXX	XXX	XXX	107,255	37,251	19,627	10,194	6,913
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	116,937	46,530	16,544	10,458
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	92,944	33,349	18,162
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	98,126	45,598
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	112,038

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken: 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 Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	7,756,110	7,874,817	0	4,075,163	2,786,758	4,277,098	30,653	
2. Alaska AK	L	84,050	95,574	0	908	27,963	114,405	332	
3. Arizona AZ	L	4,044,847	4,356,220	0	1,735,615	2,391,357	2,269,496	15,986	
4. Arkansas AR	L	1,547,901	1,841,220	0	5,224,157	5,183,673	1,117,335	6,118	
5. California CA	L	84,747,057	90,634,589	0	43,689,871	38,319,352	55,544,892	334,935	
6. Colorado CO	L	7,113,771	7,414,691	0	4,711,295	5,497,268	3,843,435	28,115	
7. Connecticut CT	L	10,504,393	10,985,482	0	5,658,994	7,649,780	13,927,459	41,515	
8. Delaware DE	L	21,254	24,650	0	17,942	20,132	3,216	84	
9. District of Columbia DC	L	327,246	384,607	0	60,538	47,906	69,971	1,293	
10. Florida FL	L	32,120,646	32,653,968	0	9,737,161	9,665,797	17,785,879	126,946	
11. Georgia GA	L	11,942,225	12,587,257	0	10,109,827	11,803,068	13,013,165	47,198	
12. Hawaii HI	L	0	0	0	0	0	0	0	
13. Idaho ID	L	4,789,930	4,661,375	0	1,823,251	986,111	2,882,497	18,931	
14. Illinois IL	L	18,627,310	19,576,328	0	12,602,295	11,951,825	21,490,063	73,618	
15. Indiana IN	L	4,437,595	4,846,511	0	3,721,811	4,050,096	8,335,535	17,538	
16. Iowa IA	L	898,315	964,659	0	237,609	188,343	503,990	3,550	
17. Kansas KS	L	3,279,083	3,536,043	0	1,495,532	1,310,636	2,217,454	12,960	
18. Kentucky KY	L	2,641,977	2,906,078	0	1,263,191	867,948	2,021,562	10,442	
19. Louisiana LA	L	7,213,857	7,265,892	0	6,621,662	8,853,537	4,260,220	28,510	
20. Maine ME	L	48,691	59,378	0	35,552	29,409	12,341	192	
21. Maryland MD	L	2,774,587	2,960,699	0	1,764,025	1,469,947	2,960,689	10,966	
22. Massachusetts MA	L	2,318,023	2,441,539	0	1,435,942	4,901,720	6,269,333	9,161	
23. Michigan MI	L	9,883,462	10,523,855	0	5,277,896	2,782,492	28,500,705	39,061	
24. Minnesota MN	L	5,655,494	5,944,028	0	5,275,719	6,922,223	12,271,905	22,351	
25. Mississippi MS	L	3,303,903	3,533,039	0	1,348,568	1,229,229	1,704,653	13,058	
26. Missouri MO	L	8,470,614	9,063,634	0	6,766,108	5,354,421	8,983,018	33,477	
27. Montana MT	L	5,915,050	6,152,699	0	2,188,740	2,394,280	4,144,611	23,377	
28. Nebraska NE	L	632,211	655,188	0	250,557	278,779	293,272	2,499	
29. Nevada NV	L	3,483,260	3,577,722	0	626,639	982,405	2,516,917	13,766	
30. New Hampshire NH	L	538,819	565,894	0	399,265	289,446	595,716	2,130	
31. New Jersey NJ	N	10,413	7,370	0	0	(3,244)	2,713	41	
32. New Mexico NM	L	2,358,693	2,418,009	0	1,357,347	(472,473)	1,401,941	9,322	
33. New York NY	L	13,857,456	14,734,341	0	5,667,323	8,513,801	18,933,818	54,767	
34. North Carolina NC	L	1,733,643	1,708,658	0	1,828,805	1,639,273	967,622	6,852	
35. North Dakota ND	L	948,086	1,051,227	0	352,113	287,662	461,119	3,747	
36. Ohio OH	L	2,881,444	3,524,300	0	2,499,457	1,159,600	5,086,810	11,388	
37. Oklahoma OK	L	2,802,471	2,849,288	0	1,164,523	1,198,121	932,912	11,076	
38. Oregon OR	L	14,677,004	14,951,307	37,530	8,382,924	10,841,818	15,370,244	58,006	
39. Pennsylvania PA	L	5,722,067	6,564,433	0	3,906,244	4,271,307	13,239,257	22,615	
40. Rhode Island RI	L	487,638	471,562	0	57,794	144,736	448,155	1,927	
41. South Carolina SC	L	5,004,516	5,101,971	0	1,452,155	986,831	4,227,422	19,779	
42. South Dakota SD	L	1,713,221	1,860,457	0	1,109,360	772,094	1,444,089	6,771	
43. Tennessee TN	L	4,722,595	5,145,867	0	2,077,302	1,868,725	2,971,733	18,665	
44. Texas TX	L	40,987,118	42,190,123	27,396	47,255,523	68,369,331	47,417,981	471,380	
45. Utah UT	L	2,996,231	3,151,898	0	1,851,369	1,078,526	2,069,473	11,842	
46. Vermont VT	L	304,302	308,903	0	157,630	195,599	231,351	1,203	
47. Virginia VA	L	4,282,501	4,454,018	0	1,264,982	289,356	3,724,138	16,925	
48. Washington WA	L	40,864,622	40,902,576	0	17,398,906	14,932,093	33,549,478	161,504	
49. West Virginia WV	L	1,291,278	1,475,458	0	1,031,322	480,481	799,759	5,103	
50. Wisconsin WI	L	934,459	973,726	0	624,452	617,410	4,016,462	3,693	
51. Wyoming WY	L	2,399,948	2,346,261	0	756,556	678,397	1,191,846	9,485	
52. American Samoa AS	N	0	0	0	0	0	0	0	
53. Guam GU	N	0	0	0	0	0	0	0	
54. Puerto Rico PR	N	0	0	0	0	0	0	0	
55. U.S. Virgin Islands VI	N	0	0	0	0	0	0	0	
56. Northern Mariana Islands MP	N	0	0	0	0	0	0	0	
57. Canada CN	N	0	0	0	0	0	0	0	
58. Aggregate other alien OT	XXX	0	0	0	0	0	0	0	0
59. Totals	(a) 50	396,101,388	414,279,390	64,926	238,351,918	256,085,346	380,419,152	1,874,852	0
DETAILS OF WRITE-INS									
5801.	XXX								
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 through 5803 + 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

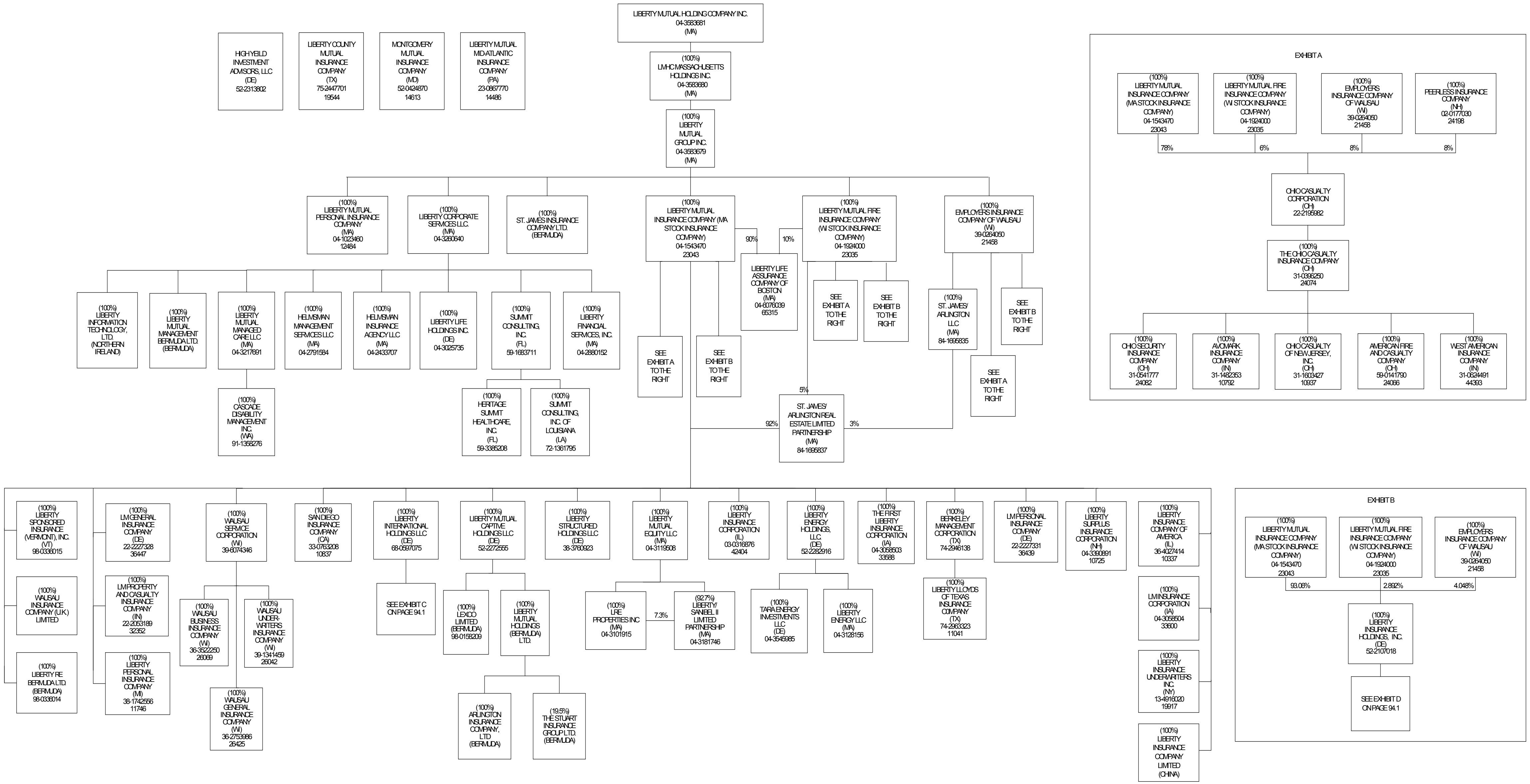
(a) Insert the number of L responses except for Canada and Other Alien.

Explanation of basis of allocation of premiums by states, etc.

Fire, Allied Lines, Federal Flood, Farmowners Multiple Peril, Homeowners Multiple Peril, Commercial Multiple Peril, Medical Malpractice, Earthquake, Liability Other Than Auto, Burglary and Theft - Allocated according to location of risk. Ocean Marine - Allocated according to point of margin. Inland Marine - Allocated according to principal address of policyholder. Worker's Compensation - Allocated according to location of insured's operation. Auto Liability and Physical Damage - allocated according to location of principal garage. Aircraft - As reported to us by Associated Aviation Underwriters Syndicate and according to location of principal hangar. Fidelity and Surety - Allocated in accordance with practice adopted by Towner Rating Bureau and the Surety Association of America.

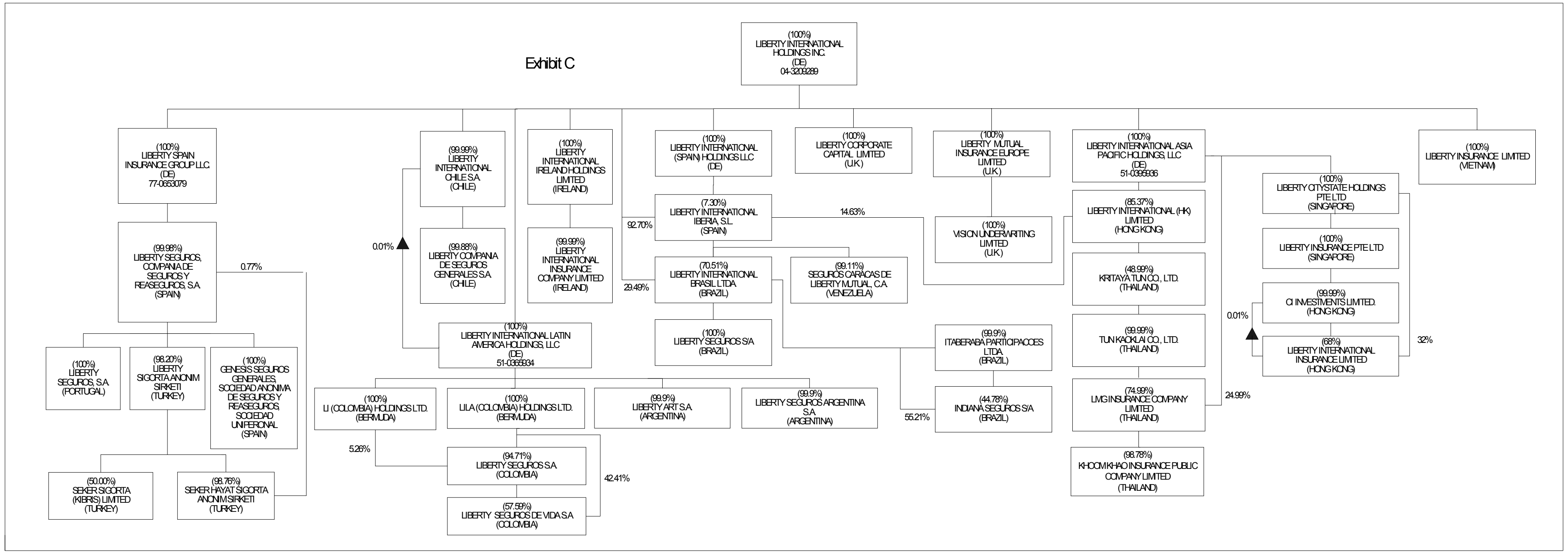
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

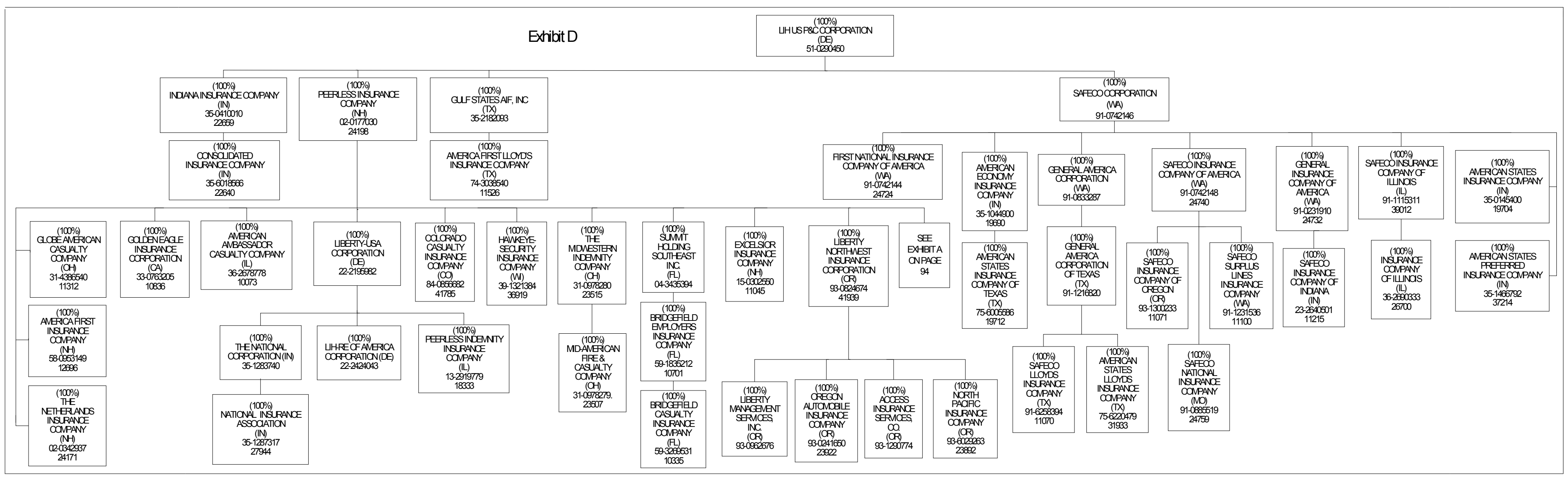
PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART





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