ANNUAL STATEMENT

OF THE

AMERICAN FIRE AND CASUALTY COMPANY

of FAIRFIELD

in the state of OHIO

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2008

PROPERTY AND CASUALTY

2008

24066200820100010

ANNUAL STATEMENT

For the Year Ended December 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

American Fire and Casualty Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 24066 **Employer's ID Number** 59-0141790

Organized under the Laws of Ohio , **State of Domicile or Port of Entry** Ohio

Country of Domicile United States of America

Incorporated/Organized: January 1, 1906 **Commenced Business:** January 3, 1933

Statutory Home Office: 9450 Seward Road (Street and Number) , Fairfield, OH 45014 (City or Town, State and Zip Code)

Main Administrative Office: 9450 Seward Road (Street and Number)
Fairfield, OH 45014 (City or Town, State and Zip Code) 513-603-2400 (Area Code) (Telephone Number)

Mail Address: 175 Berkeley Street (Street and Number or P.O. Box) , Boston, MA 02116 (City or Town, State and Zip Code)

Primary Location of Books and Records: 175 Berkeley Street (Street and Number) Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

Internet Website Address: www.LibertyMutualAgencyMarkets.com

Statutory Statement Contact: Joanne Connolly (Name) 617-357-9500 x44393 (Area Code) (Telephone Number) (Extension)
Joanne.Connolly@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

Gary Richard Gregg

	Name	Title
1.	Gary Richard Gregg	President and Chief Executive Officer
2.	Dexter Robert Legg #	Secretary
3.	Michael Joseph Fallon #	Treasurer and Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	EVP and Chief Investment Officer	Joseph Anthony Gilles	Executive Vice President
Scott Rhodes Goodby	EVP and Chief Operating Officer		

DIRECTORS OR TRUSTEES

Gary Richard Gregg	Michael Joseph Fallon #	John Derek Doyle	Joseph Anthony Gilles
Scott Rhodes Goodby	Christopher Charles Mansfield		

State of Massachusetts

County of Suffolk ss

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

(Signature)	(Signature)	(Signature)
Gary Richard Gregg	Dexter Robert Legg #	Michael Joseph Fallon #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Secretary	Treasurer and Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this
2nd day of February , 2009

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	104,237,440		104,237,440	32,844,105
2. Stocks (Schedule D):				
2.1 Preferred stocks	1,009,400		1,009,400	1,231,250
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 0, Schedule E - Part 1), cash equivalents ($ 0, Schedule E - Part 2), and short-term investments ($ 14,074,065, Schedule DA)	14,074,065		14,074,065	1,524,542
6. Contract loans (including $ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	119,320,905		119,320,905	35,599,897
11. Title plants less $ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	979,349		979,349	562,323
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	2,321,245	257,768	2,063,477	
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 374,731 earned but unbilled premiums)	15,991,992	65,080	15,926,912	
13.3 Accrued retrospective premiums	336,808	30,283	306,525	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	9,304,843		9,304,843	220,734
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	813,468		813,468	649,758
16.2 Net deferred tax asset	2,984,000	247,339	2,736,661	
17. Guaranty funds receivable or on deposit	79,171		79,171	
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets ($ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	4,720,965		4,720,965	
22. Health care ($ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	985,039	5,932	979,107	
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	157,837,785	606,402	157,231,383	37,032,712
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	157,837,785	606,402	157,231,383	37,032,712

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	9,790	5,932	3,858	
2302. Cash Surrender Value Life insurance	552,795		552,795	
2303. Equities and deposits in pools and associations	422,454		422,454	
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	985,039	5,932	979,107	

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	59,102,119	
2. Reinsurance payable on paid losses and loss adjustment expenses	3,090,740	
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	13,533,773	
4. Commissions payable, contingent commissions and other similar charges	1,608,569	
5. Other expenses (excluding taxes, licenses and fees)	1,973,686	
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	1,222,525	
7.1 Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		1,052,939
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 87,834,909 and including warranty reserves of $ 0)	25,294,731	
10. Advance premium	165,072	
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	35,904	
12. Ceded reinsurance premiums payable (net of ceding commissions)	12,555,501	
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	112,398	
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		68,349
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	362,658	
19. Payable to parent, subsidiaries and affiliates	772,014	223,351
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes $ 0 and interest thereon $ 0		
23. Aggregate write-ins for liabilities	1,624,568	
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	121,454,258	1,344,639
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	121,454,258	1,344,639
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,374,043	3,374,043
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	13,648,270	13,648,270
33. Unassigned funds (surplus)	18,754,812	18,665,759
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 $ 0)		
34.2 0 shares preferred (value included in Line 29 $ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	35,777,125	35,688,072
36. Totals (Page 2, Line 26, Col. 3)	157,231,383	37,032,711

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	370,231	
2302. Pooled retroactive reinsurance	1,254,337	
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,624,568	
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	59,812,748	
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	31,323,043	
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	6,483,333	
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	20,220,499	300
5.	Aggregate write-ins for underwriting deductions		
6.	Total underwriting deductions (Lines 2 through 5)	58,026,875	300
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	1,785,873	(300)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	5,888,812	1,908,086
10.	Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		(50,784)
11.	Net investment gain (loss) (Lines 9 + 10)	5,888,812	1,857,302
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 6,153 amount charged off $ 241,808)	(235,655)	
13.	Finance and service charges not included in premiums	49,317	
14.	Aggregate write-ins for miscellaneous income	(658,051)	
15.	Total other income (Lines 12 through 14)	(844,389)	
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	6,830,296	1,857,002
17.	Dividends to policyholders	390,474	
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)	6,439,822	1,857,002
19.	Federal and foreign income taxes incurred	6,478,560	490,623
20.	Net income (Line 18 minus Line 19) (to Line 22)	(38,738)	1,366,379
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	35,688,074	37,822,915
22.	Net income (from Line 20)	(38,738)	1,366,379
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (91,320)	(130,530)	(12,188)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	3,945,680	12,867
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(606,352)	
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	68,349	(1,899)
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(3,568,807)	(3,500,000)
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	419,449	
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	89,051	(2,134,841)
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	35,777,125	35,688,074

	DETAILS OF WRITE-IN LINES		
0501.			
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 05 from overflow page		
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401.	Other income/(expense)	(669,063)	
1402.	Retroactive reinsurance gain/(loss)	11,012	
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(658,051)	
3701.	Other changes in surplus	419,449	
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	419,449	

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	79,040,209	
2.	Net investment income	5,615,197	1,990,797
3.	Miscellaneous income	(1,165,975)	
4.	Total (Lines 1 through 3)	83,489,431	1,990,797
5.	Benefit and loss related payments	(22,196,927)	220,734
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	9,758,084	300
8.	Dividends paid to policyholders	354,570	
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	6,642,271	373,371
10.	Total (Lines 5 through 9)	(5,442,002)	594,405
11.	Net cash from operations (Line 4 minus Line 10)	88,931,433	1,396,392
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	8,561,319	4,540,870
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	8,561,319	4,540,870
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	80,098,065	4,398,453
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	80,098,065	4,398,453
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(71,536,746)	142,417
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders	3,568,807	3,500,000
16.6	Other cash provided (applied)	(1,276,357)	245,940
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(4,845,164)	(3,254,060)
	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)	12,549,523	(1,715,251)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	1,524,542	3,239,793
19.2	End of year (Line 18 plus Line 19.1)	14,074,065	1,524,542

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

20.0001			
20.0002			
20.0003			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line 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	688,974		268,654	420,320
2. Allied lines	708,121		251,930	456,191
3. Farmowners multiple peril	591,674		209,505	382,169
4. Homeowners multiple peril	6,408,088		1,851,667	4,556,421
5. Commercial multiple peril	21,128,713		6,902,824	14,225,889
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,924,781		570,278	1,354,503
10. Financial guaranty				
11.1 Medical malpractice—occurrence	(41)			(41)
11.2 Medical malpractice—claims-made				
12. Earthquake	228,451		54,573	173,878
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	161			161
16. Workers' compensation	17,573,898		2,880,530	14,693,368
17.1 Other liability—occurrence	5,464,975		1,759,754	3,705,221
17.2 Other liability—claims-made	16,529		5,133	11,396
18.1 Products liability—occurrence	234,643		70,790	163,853
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	6,894,415		2,274,662	4,619,753
19.3,19.4 Commercial auto liability	9,293,998		3,033,701	6,260,297
21. Auto physical damage	7,691,788		2,513,758	5,178,030
22. Aircraft (all perils)				
23. Fidelity	110,517		50,586	59,931
24. Surety	5,758,421		2,218,454	3,539,967
26. Burglary and theft	5,047		1,189	3,858
27. Boiler and machinery	8,563		980	7,583
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability				
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	84,731,716		24,918,968	59,812,748

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

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	268,653	1			268,654
2. Allied lines	251,928	2			251,930
3. Farmowners multiple peril	209,501	4			209,505
4. Homeowners multiple peril	1,851,667				1,851,667
5. Commercial multiple peril	7,000,630	191	(98,561)	563	6,902,823
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	562,185	8,093			570,278
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made					
12. Earthquake	54,572				54,572
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	3,093,216	7	(211,661)	(1,032)	2,880,530
17.1 Other liability—occurrence	1,804,889	18,602	(63,173)	(563)	1,759,755
17.2 Other liability—claims-made	5,137		(3)		5,134
18.1 Products liability—occurrence	72,120	2	(1,333)		70,789
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	2,274,662				2,274,662
19.3,19.4 Commercial auto liability	2,974,895	58,806			3,033,701
21. Auto physical damage	2,503,333	10,425			2,513,758
22. Aircraft (all perils)					
23. Fidelity	15,966	34,620			50,586
24. Surety	1,669,231	549,222			2,218,453
26. Burglary and theft	1,189				1,189
27. Boiler and machinery	980				980
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	24,614,754	679,975	(374,731)	(1,032)	24,918,966
36. Accrued retrospective premiums based on experience					1,032
37. Earned but unbilled premiums					374,731
38. Balance (Sum of Lines 35 through 37)					25,294,729

DETAILS OF WRITE-IN LINES					
3401.					
3402.					
3403.					
3498. Sum of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

(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	370,221	688,974		370,221		688,974
2. Allied lines	376,001	708,121		376,001		708,121
3. Farmowners multiple peril		591,674				591,674
4. Homeowners multiple peril	14,458,395	6,408,088		14,458,395		6,408,088
5. Commercial multiple peril	73,867,243	21,128,713		73,867,243		21,128,713
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	534,098	1,924,781		534,098		1,924,781
10. Financial guaranty						
11.1 Medical malpractice--occurrence		(41)				(41)
11.2 Medical malpractice--claims-made						
12. Earthquake	265,056	228,451		265,056		228,451
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		161				161
16. Workers' compensation	24,690,211	17,573,898		24,690,211		17,573,898
17.1 Other liability—occurrence	4,889,116	5,464,975		4,889,116		5,464,975
17.2 Other liability—claims-made		16,529				16,529
18.1 Products liability—occurrence	1,933,903	234,643		1,933,903		234,643
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	15,768,657	6,894,415		15,768,657		6,894,415
19.3,19.4 Commercial auto liability	33,774,996	9,293,998		33,774,996		9,293,998
21. Auto physical damage	18,493,386	7,691,788		18,493,386		7,691,788
22. Aircraft (all perils)						
23. Fidelity	1	110,517		1		110,517
24. Surety	2,386,587	5,758,421		2,386,587		5,758,421
26. Burglary and theft		5,047				5,047
27. Boiler and machinery	1,837	8,563		1,837		8,563
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	191,809,708	84,731,716		191,809,708		84,731,716

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

(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 recorded on an annualized basis $

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	4,433	143,761	4,649	143,545	108,059		251,604	59.860
2. Allied lines	109,777	185,757	110,057	185,477	66,843		252,320	55.310
3. Farmowners multiple peril		399,479		399,479	149,165		548,644	143.561
4. Homeowners multiple peril	13,453,822	2,089,967	13,505,830	2,037,959	1,360,910		3,398,869	74.595
5. Commercial multiple peril	29,835,733	(4,213,478)	29,835,731	(4,213,476)	11,915,639		7,702,163	54.142
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	85,181	350,937	85,181	350,937	188,988		539,925	39.861
10. Financial guaranty								
11.1 Medical malpractice—occurrence								
11.2 Medical malpractice—claims-made								
12. Earthquake		(909)		(909)	3,033		2,124	1.222
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	14,642,666	(18,937,067)	14,647,966	(18,942,367)	27,316,917		8,374,550	56.995
17.1 Other liability—occurrence	3,265,849	2,988,137	12,072,301	(5,818,315)	6,112,139		293,824	7.930
17.2 Other liability—claims-made		(7,825)		(7,825)	2,738		(5,087)	(44.638)
18.1 Products liability—occurrence	1,418,094	(145,474)	1,418,093	(145,473)	208,144		62,671	38.248
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	11,556,827	(744,502)	11,556,828	(744,503)	3,650,027		2,905,524	62.893
19.3,19.4 Commercial auto liability	11,825,405	(3,174,675)	11,825,405	(3,174,675)	6,137,484		2,962,809	47.327
21. Auto physical damage	12,025,596	2,940,212	12,025,596	2,940,212	290,264		3,230,476	62.388
22. Aircraft (all perils)								
23. Fidelity	(275)	(13,169)	(275)	(13,169)	20,225		7,056	11.774
24. Surety	(1,300)	(769,284)	(1,300)	(769,284)	1,561,662		792,378	22.384
26. Burglary and theft		1,084		1,084	722		1,806	46.812
27. Boiler and machinery		(386)		(386)	2,026		1,640	21.627
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	(7,387)		(7,387)	7,134		(253)	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	98,221,808	(18,914,822)	107,086,062	(27,779,076)	59,102,119		31,323,043	52.369

DETAILS OF WRITE-IN LINES								
3401.								
3402.								
3403.								
3498. Sum of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	49,899	74,460	49,899	74,460	7,283	33,599	7,283	108,059	22,859
2. Allied lines	33,895	51,245	33,895	51,245	7,475	15,598	7,475	66,843	15,304
3. Farmowners multiple peril		123,485		123,485		25,680		149,165	35,278
4. Homeowners multiple peril	5,010,949	895,149	5,010,949	895,149	839,584	465,761	839,584	1,360,910	282,517
5. Commercial multiple peril	26,557,719	6,870,686	26,557,719	6,870,686	26,619,704	5,044,953	26,619,704	11,915,639	5,098,010
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	35,495	149,477	35,495	149,477	12,921	39,511	12,921	188,988	33,610
10. Financial guaranty									
11.1 Medical malpractice—occurrence									
11.2 Medical malpractice—claims-made									
12. Earthquake		3,033		3,033				3,033	121
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation	54,958,706	12,695,197	54,958,706	12,695,197	58,026,018	14,621,720	58,026,018	27,316,917	4,049,941
17.1 Other liability—occurrence	5,206,258	1,675,969	5,206,258	1,675,969	8,041,752	4,436,170	8,041,752	6,112,139	1,828,160
17.2 Other liability—claims-made		1,126		1,126		1,612		2,738	376
18.1 Products liability—occurrence	1,499,638	64,036	1,499,638	64,036	2,165,318	144,108	2,165,318	208,144	81,324
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	10,924,435	2,675,082	10,924,435	2,675,082	4,374,393	974,945	4,374,393	3,650,027	604,825
19.3,19.4 Commercial auto liability	14,239,746	3,549,632	14,239,746	3,549,632	13,919,125	2,587,852	13,919,125	6,137,484	1,075,231
21. Auto physical damage	1,098,446	289,626	1,098,446	289,626		638		290,264	25,322
22. Aircraft (all perils)									
23. Fidelity		9,908		9,908		10,317		20,225	25,516
24. Surety	200	157,704	200	157,704	108,349	1,403,958	108,349	1,561,662	368,730
26. Burglary and theft		605		605		117		722	258
27. Boiler and machinery						2,026		2,026	(13,609)
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Liability	XXX	7,134		7,134	XXX			7,134	
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	119,615,386	29,293,554	119,615,386	29,293,554	114,121,922	29,808,565	114,121,922	59,102,119	13,533,773

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	(6,114,452)			(6,114,452)
1.2 Reinsurance assumed	3,059,730			3,059,730
1.3 Reinsurance ceded	(6,114,452)			(6,114,452)
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	3,059,730			3,059,730
2. Commission and brokerage:				
2.1 Direct, excluding contingent		25,127,302		25,127,302
2.2 Reinsurance assumed, excluding contingent		8,419,800		8,419,800
2.3 Reinsurance ceded, excluding contingent		25,127,302		25,127,302
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		1,234,014		1,234,014
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		9,653,814		9,653,814
3. Allowances to manager and agents		266		266
4. Advertising	78,066	298,776	227	377,069
5. Boards, bureaus and associations	6,320	164,115	6	170,441
6. Surveys and underwriting reports	24	190,313	111	190,448
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	1,866,461	4,462,970	20,996	6,350,427
8.2 Payroll taxes	121,418	371,223	1,172	493,813
9. Employee relations and welfare	314,736	932,857	1,191	1,248,784
10. Insurance	5,114	28,448	41	33,603
11. Directors' fees	6	146		152
12. Travel and travel items	107,507	364,737	400	472,644
13. Rent and rent items	159,791	453,612	470	613,873
14. Equipment	129,660	364,938	428	495,026
15. Cost or depreciation of EDP equipment and software	128,269	212,810	139	341,218
16. Printing and stationery	25,671	95,155	58	120,884
17. Postage, telephone and telegraph, exchange and express	62,931	248,647	157	311,735
18. Legal and auditing	14,102	76,096	1,771	91,969
19. Totals (Lines 3 to 18)	3,020,076	8,265,109	27,167	11,312,352
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 18,342		1,488,830		1,488,830
20.2 Insurance department licenses and fees		74,174		74,174
20.3 Gross guaranty association assessments		(307,179)		(307,179)
20.4 All other (excluding federal and foreign income and real estate)		50,638		50,638
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,306,463		1,306,463
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	403,527	995,113	2,623	1,401,263
25. Total expenses incurred	6,483,333	20,220,499	29,790	(a) 26,733,622
26. Less unpaid expenses—current year	13,533,773	4,804,780		18,338,553
27. Add unpaid expenses—prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	(7,050,440)	15,415,719	29,790	8,395,069

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	274,609			274,609
2402. Other expenses	128,918	995,113	2,623	1,126,654
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	403,527	995,113	2,623	1,401,263

(a) Includes management fees of $ 29,790 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 820,386	974,079
1.1	Bonds exempt from U.S. tax	(a) 411,959	426,542
1.2	Other bonds (unaffiliated)	(a) 2,848,016	3,053,332
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 78,125	97,656
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 182,720	206,623
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	1,160,370	1,160,370
10.	Total gross investment income	5,501,576	5,918,602
11.	Investment expenses		(g) 29,790
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		29,790
17.	Net investment income (Line 10 minus Line 16)		5,888,812

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income	1,160,370	1,160,370
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 09 from overflow page		
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	1,160,370	1,160,370
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

(a) Includes $ 49,338 accrual of discount less $ 192,748 amortization of premium and less $ 450,629 paid for accrued interest on purchases.

(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.

(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.

(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.

(e) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.

(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.

(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.

(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds					
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				(221,850)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)				(221,850)	

	DETAILS OF WRITE-IN LINES					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 09 from overflow page					
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	257,768		(257,768)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	65,080		(65,080)
13.3 Accrued retrospective premiums	30,283		(30,283)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	247,339		(247,339)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	5,932		(5,932)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	606,402		(606,402)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	606,402		(606,402)

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	5,932		(5,932)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	5,932		(5,932)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Ohio, the accompanying financial statements of American Fire and Casualty Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

Premiums are earned over the terms of the related 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. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

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 ("SVO Manual").
2. Bonds are carried at cost adjusted, where appropriate, for amortization of premium or discount, or market as specified by the SVO Manual.
3. The Company does not own common stocks.
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage-backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. The Company does not own any joint ventures, partnerships or limited liability companies.
9. Derivative Securities, refer to Note 8.
10. Refer to Note 29.
11. Unpaid losses 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 and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2008.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

A. There were no material changes in accounting principles or corrections of errors during the year.

Note 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.

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use historical cost for applying the retrospective adjustment method to securities.

2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

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

E. Repurchase Agreements

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

The Company does not have any open securities lending positions at the end of 2008.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

The Company does not hold investments in low-income housing tax credits.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

A. The Company has no investments in joint ventures, partnerships, or limited liability companies.

B. Impairments on joint ventures, partnerships, and limited liability companies.

Not Applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

Note 8- Derivative Instruments

The Company's investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

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	5,343,000	686,935	4,656,065
Total of deferred tax liabilities	(2,359,000)	(1,739,875)	(619,125)
Net deferred tax asset	2,984,000	(1,052,940)	4,036,940
Net deferred tax asset non-admitted	(247,000)	0	(247,000)
Net admitted deferred tax asset	2,737,000	(1,052,940)	3,789,940

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

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

	2008	2007
Federal tax on operations	6,478,560	490,623
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	6,478,560	490,623
Tax on capital gains	0	51,495
Total income tax incurred	6,478,560	542,118

The Company’s deferred tax assets and liabilities result primarily from basis differences on investment assets, unrealized gains and losses, discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, and reversal of discount accretion on bonds.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	3,945,680
Tax effect of unrealized (gains) losses	91,320
Total change in net deferred income tax	4,037,000

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, discounting of unpaid loss and LAE reserves, and limits on unearned premium reserve deductions.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is $6,624,000 from the current year and $185,000 from the preceding year.

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

The Company does not have deposits admitted under Section 6603 of the Internal Revenue Services Code.

F. The Company's Federal income tax return is 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
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

NOTES TO FINANCIAL STATEMENTS

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
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.

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.

Note 10- Information concerning Parent, Subsidiaries and Affiliates

A. American Fire is wholly owned by The Ohio Casualty Insurance Company, which is wholly owned by Ohio Casualty Corporation, an Ohio insurance holding company. Ohio Casualty Corporation is owned by Liberty Mutual Insurance Company (78%), a Massachusetts insurance company, Liberty Mutual Fire Insurance Company (6%), a Wisconsin insurance company, Employers insurance Company of Wausau (8%), a Wisconsin insurance company and Peerless Insurance Company (8%), a New Hampshire insurance company.

B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.

C. Refer to Notes 10F, 22 and 25.

NOTES TO FINANCIAL STATEMENTS

D. At December 31, 2008, the Company reported $3,948,951 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

Effective August 24, 2007 the Company was added as a party to an existing service agreement (the "Agreement") with Peerless Insurance Company and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

Effective August 24, 2007 the Company was added as a party to existing investment management agreements with LMIC and Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMIC and LMIA provide investment management services to the Company.

The Company was added as a party to an existing cash management agreement with LMIA effective August 24, 2007.

The Company entered into a management services agreement, effective August 24, 2007 with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company is party to a Federal Tax Sharing Agreement between LMIC and affiliates (see Note 9F).

G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.

H. The Company does not own shares of an upstream company, either directly or indirectly.

I. The Company has no investments in subsidiary, controlled or affiliated companies.

J. Impairment of subsidiaries

Refer to 10 I

K. Investment in foreign insurance subsidiaries.

Refer to 10 I

L. Investment in downstream noninsurance holding companies.

Refer to 10 I

Note 11- Debt

A. Capital Notes

Not applicable

B. All Other Debt

Not applicable

Note 12- Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreements as described in note 10 F.

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

1. Common Stock

The Company has 2,000,000 shares authorized, and 1,124,681 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of $3.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

NOTES TO FINANCIAL STATEMENTS

4. The Company made an ordinary dividend of $3,568,807 to Ohio Casualty Insurance Company in June.

5. The maximum amount of dividends that can be paid by Ohio-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2009 is $3,577,712.

6. The Company does not have restricted unassigned surplus.

7. The Company had no advances to surplus.

8. The Company did not hold stock for special purposes.

9. The Company does not hold special surplus funds.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized capital loss is (156,390) after applicable deferred taxes of $84,210.

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. Quasi re-organization (effective date)

    Not applicable

Note 14- Contingencies

A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty funds and other assessments of $655,393 that is offset by future premium tax credits of $79,171. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2008.

During 2008 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The Company paid 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 the reporting period	$83,736

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

(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.

(f) Per Claim [x]   (g) Per Claimant [ ]

NOTES TO FINANCIAL STATEMENTS

E. All other Contingencies

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

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. ("LMGI"). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

Note 15- Leases

A. The following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

Year(s)	Operating Lease Arrangements
2009	$149,710
2010	150,868
2011	128,173
2012	79,669
2013	47,568
2014 & thereafter	211,409
Total	$767,397

B. Leasing as a significant part of lessor's business activities

Not applicable

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

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

Note 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 did not have any transfers and servicing of financial assets during the year.

C. Wash Sales

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

Note 18-Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

1) Assets in the amount of $24,102,349 and $24,112,498 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

D. The Company has no net exposure to uncollectible premium receivable balances (see Note 25),.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. The Company does not have exposure to sub-prime mortgage related risk.

H. The Company has not entered into Federal Home Loan Bank Agreements.

Note 21- Events Subsequent

There were no events subsequent to December 31, 2008 that would require disclosure.

Note 22- Reinsurance

A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus**.**

B. There are no reinsurance recoverables in dispute from an individual reinsurer that exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$25,294,731	$1,736,207	$87,834,909	$11,448,852	$(62,540,178)	$(9,712,645)
All Other	0	0	0	0	0	0
Total	$25,294,731	$1,736,207	$87,834,909	$11,448,852	$(62,540,178)	$(9,712,645)

Direct unearned premium reserve of $87,834,909

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business. Following are the contingent commissions for direct, assumed and ceded business.

Direct	$0
Assumed	1,428,930
Ceded	0
Net	$1,428,930

D. The Company did not write off any uncollectible balances in 2008.

E. The Company does not have ceded commutations.

NOTES TO FINANCIAL STATEMENTS

F. The Company has one assumed retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	$5,083,907	$0
	2. Adjustment – Prior Year(s)	(3,660,112)	0
	3. Adjustment – Current Year	(169,531)	0
	4. Total	1,254,265	
b.	Consideration Paid or Received:		
	1. Initial Reserves	5,083,907	0
	2. Adjustment – Prior Year(s)	148,926	0
	3. Adjustment – Current Year		0
	4. Total	5,232,833	0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves		0
	2. Adjustment – Prior Year(s)	4,479,431	0
	3. Adjustment – Current Year	149,417	0
	4. Total	4,628,848	0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	$0	0
	2. Adjustment – Prior Year(s)	(670,393)	0
	3. Adjustment – Current Year	20,114	0
	4. Total		0
	5. Cumulative Total Transferred to Unassigned Funds	(650,279)	0
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company, 24198	$1,254,265	$0

There are no reinsurance contracts covering losses that have occurred prior to the inception of the contract that have not been accounted for in conformity with the NAIC Accounting Practices and Procedures Manual.

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

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.

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

C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.

D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated as non-admitted and charged to surplus.

Total accrued retro premium	$336,808
Less: Non-admitted amount	30,283
Admitted amount	306,525

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events of prior years has decreased during 2008, primarily as a result of improving loss trends in the Commercial Multiple Peril, Commercial Auto Liability, Workers' Compensation, Other Liability, and Private Passenger Auto Liability lines of business. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 25- Intercompany Pooling Arrangements

The Company is a member of the PIC Amended and Restated Reinsurance Pooling Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company (PIC)	24198	42.00%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	5.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	Golden Eagle Insurance Corporation (GEIC)	10836	7.00%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	8.00%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.00%	All Lines
	American Fire and Casualty Company (AFCC)	24066	1.00%	All Lines
	The Ohio Casualty Insurance Company (OCIC)	24074	34.00%	All Lines
	Avomark Insurance Company (AIC)	10798	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	The Midwestern Indemnity Insurance Company (MWIC)	23515	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc. (OCNJ)	10937	0.00%	All Lines
	Ohio Security Insurance Company (OSIC)	24082	0.00%	All Lines
	West American Insurance Company (WAIC)	44393	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 (BCIC)	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

Under the terms of the Reinsurance Agreements, the sequence of transactions is as follows:

(a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.

(b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.

(c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

(d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

(e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

(g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.

(h) At December 31, 2008, the Company had $3,172,000 due from the lead company in the Peerless Pool.

Effective January 1, 2008, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Fire and Casualty Company
Avomark Insurance Company
National Insurance Association
Ohio Casualty of New Jersey, Inc.
Ohio Security Insurance Company
The Ohio Casualty Insurance Company
West American Insurance Company

Effective January 1, 2008 Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% quota share agreements with Liberty Mutual Insurance Company to substitute PIC as the reinsurer.

NOTES TO FINANCIAL STATEMENTS

Effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Economy Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
First National Insurance Company of America
General Insurance Company of America
Insurance Company of Illinois
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Surplus Lines Insurance Company

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%	

NOTES TO FINANCIAL STATEMENTS

100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	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

The Company is party to a Quota Share Reinsurance Agreement with Ohio Casualty of New Jersey, Inc. ("OCNJ"), effective January 1, 2005. Pursuant to the agreement, OCNJ becomes the 100% quota share reinsurer of the Company's California business.

Note 26- Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $563,080 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $563,080 as of December 31, 2008.

B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2008, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 30- High Dollar Deductible Policies

The Company does not have any net high dollar deductible policy liabilities (see Note 25).

Note 31- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2008 liabilities subject to discount were carried at a value representing a discount of $1,154,660 net of all reinsurance.

Note 32 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims which emanate principally from general liability policies written prior to the mid-1980's. In establishing the Company's asbestos and environmental reserves, the Company estimates case basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

Factors Contributing to Uncertainty in Establishing Adequate Reserves
The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insured's with potential exposure, (vi) the cost to resolve claims, and (vii) the collectibility of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

In the last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to

NOTES TO FINANCIAL STATEMENTS

find new plaintiffs has been as a result of questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states have been favorable to defendants. More importantly, several states have enacted legislation in the past few years that contain medical criteria provisions aimed at reducing the number of lawsuits filed by unimpaired plaintiffs and providing prompt and fair compensation to those who meet the criteria.

Uncertainty Regarding Reserving Methodologies
As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition
The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company’s future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company’s asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company’s Inter-company Reinsurance Agreement, as discussed in Note 25.

Asbestos:

	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	548,079	560,982	623,760	649,692	541,953
Incurred losses and LAE	60,811	116,836	64,339	(41,560)	28,672
Calendar year payments	47,908	54,058	38,407	46,180	44,627
Ending Reserves	560,982	623,760	649,692	561,952	525,998
Assumed Reinsurance Basis					
Beginning Reserves	24,428	15,443	89,670	79,311	128,276
Incurred losses and LAE	4,279	79,750	(9,365)	2,705	11,729
Calendar year payments	13,264	5,523	994	3,590	18,331
Ending Reserves	15,443	89,670	79,311	78,426	121,674
Net of Ceded Reinsurance Basis					
Beginning Reserves	448,758	438,601	530,995	547,298	503,984
Incurred losses and LAE	40,383	151,436	45,080	(27,643)	61,194
Calendar year payments	50,540	59,042	28,777	46,191	54,767
Ending Reserves	438,601	530,995	547,298	473,464	510,411

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	423,026
Assumed Reinsurance Basis	68,093
Net of Ceded Reinsurance Basis	447,829
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	191,404
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	186,500

Environmental:	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	534,201	667,280	719,715	724,326	855,279
Incurred losses and LAE	196,204	139,462	120,276	511,676	29,664
Calendar year payments	63,125	87,027	115,665	141,770	176,257
Ending Reserves	667,280	719,715	724,326	1,094,232	708,686
Assumed Reinsurance Basis					
Beginning Reserves	59,789	55,098	74,219	67,595	63,030
Incurred losses and LAE	1,070	20,688	1,785	2,787	(7,464)
Calendar year payments	5,761	1,567	8,409	1,050	597
Ending Reserves	55,098	74,219	67,595	69,332	54,969

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis					
Beginning Reserves	582,661	677,110	707,970	701,705	879,729
Incurred losses and LAE	169,317	116,920	102,804	556,713	(48,706)
Calendar year payments	74,868	86,060	109,069	126,401	172,369
Ending Reserves	677,110	707,970	701,705	1,132,017	658,654

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	578,835
Assumed Reinsurance Basis	42,027
Net of Ceded Reinsurance Basis	533,879
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	98,525
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	107,380

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 25), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the Peerless "Pool", which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 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 [ ] N/A [ ]

1.3 State Regulating? Ohio

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 [X] No [ ]

2.2 If yes, date of change: 01/01/2008

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). 10/05/2006

3.4 By what department or departments?
Ohio Department of Insurance

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

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

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]

GENERAL INTERROGATORIES

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

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, LLP
200 Clarendon Street
Boston MA 02116

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?
William M. Finn, FCAS, MAAA
62 Maple Avenue, Keene, NH 03431
Vice President & Chief Actuary of Liberty Mutual Agency Markets

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

11.11 Name of real estate holding company ________
11.12 Number of parcels involved ________
11.13 Total book/adjusted carrying value $ ________

11.2 If yes, provide explanation:

GENERAL INTERROGATORIES

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 [X]

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules, and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code. Yes [X] No [ ]

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 [X] No [ ]

13.21 If the response to 13.2 is yes, provide information related to amendment(s).
Liberty Mutual Group's Code of Business Ethics and Conduct was revised effective March 2008. It continues to contain all substantive areas of company policy and requirements included in the prior Code, but has been rewritten to enhance clarity and readability and provide additional practical guidance. This applies to all Liberty Mutual Group companies.

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

18.11	To directors or other officers	$ 0
18.12	To stockholders not officers	$ 0
18.13	Trustees, supreme or grand (Fraternal only)	$ 0

GENERAL INTERROGATORIES

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

18.21	To directors or other officers	$ 0
18.22	To stockholders not officers	$ 0
18.23	Trustees, supreme or grand (Fraternal only)	$ 0

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

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

19.21	Rented from others	$
19.22	Borrowed from others	$
19.23	Leased from others	$
19.24	Other	$

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

20.2 If answer is yes:

20.21	Amount paid as losses or risk adjustment	$
20.22	Amount paid as expenses	$
20.23	Other amounts paid	$

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

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 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 provided)
The Company has a Securities Lending Agreement to generate additional income, whereby certain fixed income and mortgage backed securities can be loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. There are no outstanding loans as of 12/31/2008

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 [ ]

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. $

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	$ 24,102,349
23.29	Other	$ 0

GENERAL INTERROGATORIES

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 [ ] N/A [X]
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. $ ____________

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
JP MORGAN CHASE	3 Metro Tech Center, Brooklyn, NY 11245

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Insurance Company	175 Berkeley St., Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley St., 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]

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
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
		0	
		0	
		0	

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	118,311,505	121,881,758	3,570,253
28.2 Preferred stocks	1,009,400	1,009,400	0
28.3 Totals	119,320,905	122,891,159	3,570,253

28.4 Describe the sources or methods utilized in determining the fair values:
IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined

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? $ 0

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
	0
	0
	0

31.1 Amount of payments for legal expenses, if any? $ 0

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
	0
	0
	0

GENERAL INTERROGATORIES

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

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

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. $ ________

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

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $ ________
1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ ________
1.6 Individual policies:
Most current three years:
1.61 Total premium earned $ ________
1.62 Total incurred claims $ ________
1.63 Number of covered lives ________

All years prior to most current three years:
1.64 Total premium earned $ ________
1.65 Total incurred claims $ ________
1.66 Number of covered lives ________

1.7 Group policies:
Most current three years:
1.71 Total premium earned $ ________
1.72 Total incurred claims $ ________
1.73 Number of covered lives ________

All years prior to most current three years:
1.74 Total premium earned $ ________
1.75 Total incurred claims $ ________
1.76 Number of covered lives ________

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 161	$ 0
2.2	Premium Denominator	$ 59,812,748	$ 0
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 0	$ 0
2.5	Reserve Denominator	$ 10,102,163	$ 0
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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 $ 2,339,040
3.22 Non-participating policies $ 189,470,668

4. For Mutual reporting entities and Reciprocal Exchanges only:
4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]
4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]
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 [X]
5.2 If yes, is the commission paid:
5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]
5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
In 2008 the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of $1,038m part of $1,175m xs $25m.

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink V7.0 from RMS and AIR Clasic/2 v8.0 For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.

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 has in force $700m part of $800m xs $50m of traditional XOL reins. Additionally, traditional XOL reins. with limits of $20m xs $30m was purchased for risks in the Midwest. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.

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 [X] No [ ]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1

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 [X]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under 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 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

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

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such 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 $ 973,591

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 71,872

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? $ 271,913

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 [X] No [ ] N/A [ ]

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

12.41 From 0.00

12.42 To 9.00

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]

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

12.61 Letters of Credit $ 7,412,808

12.62 Collateral and other funds $ 1,509,649

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 3,933,934

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 [X] No [ ]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and recoverables were allocated pursuant to separate intercompany agreements.

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

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

14.5 If the answer to 14.4 is no, please explain:

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

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

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

* Disclose type of coverage:

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 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)	120,535,300	79,550,516	69,701,262	55,445,032	81,253,461
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	31,285,924	22,553,289	21,279,639	20,174,471	31,347,087
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	116,464,513	85,823,504	72,964,713	62,596,942	80,470,073
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,255,687	860,358	772,836	1,177	2,361,648
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	276,541,424	188,787,667	164,718,450	138,217,622	195,432,269
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)	39,478,417			(13,633,037)	32,875,898
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,247,162			(4,417,211)	12,095,246
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	28,137,038			(12,771,940)	25,402,909
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,869,099			(1,664,834)	2,350,464
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	84,731,716			(32,487,022)	72,724,517
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	1,785,873	(300)	(300)		2,787,756
14. Net investment gain (loss) (Line 11)	5,888,812	1,857,302	1,614,041	5,361,328	13,677,511
15. Total other income (Line 15)	(844,389)				(796,093)
16. Dividends to policyholders (Line 17)	390,474				61,477
17. Federal and foreign income taxes incurred (Line 19)	6,478,560	490,623	597,302	(9,173,034)	4,883,965
18. Net income (Line 20)	(38,738)	1,366,379	1,016,439	14,534,362	10,723,732
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	157,231,383	37,032,712	38,961,733	38,659,055	307,249,967
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	2,063,477				1,645,422
20.2 Deferred and not yet due (Line 13.2)	15,926,912				15,524,076
20.3 Accrued retrospective premiums (Line 13.3)	306,525				
21. Total liabilities excluding protected cell business (Page 3, Line 24)	121,454,258	1,344,639	1,138,819	3,170,088	191,612,047
22. Losses (Page 3, Line 1)	59,102,119				98,190,214
23. Loss adjustment expenses (Page 3, Line 3)	13,533,773				38,787,451
24. Unearned premiums (Page 3, Line 9)	25,294,731				32,487,025
25. Capital paid up (Page 3, Lines 28 & 29)	3,374,043	3,374,043	3,374,043	3,374,043	3,374,043
26. Surplus as regards policyholders (Page 3, Line 35)	35,777,125	35,688,072	37,822,913	35,488,966	115,637,920
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	88,931,433	1,396,392	(1,056,313)	(138,038,412)	14,110,403
Risk-Based Capital Analysis					
28. Total adjusted capital	35,777,125	35,688,072	37,822,913	35,488,966	115,637,920
29. Authorized control level risk-based capital	5,802,527	2,853,849	2,831,532	2,809,393	11,933,863
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)	87.4	92.3	88.1	92.6	96.2
31. Stocks (Lines 2.1 & 2.2)	0.8	3.5	3.3		3.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	11.8	4.3	8.6	7.1	0.5
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)				0.2	
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
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)					

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)	(130,530)	(12,188)		(1,989,876)	(672,302)
49. Dividends to stockholders (Line 35)	(3,568,807)	(3,500,000)		(61,000,000)	(1,700,000)
50. Change in surplus as regards policyholders for the year (Line 38)	89,051	(2,134,841)	2,333,947	(80,148,954)	8,042,299
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)	22,687,435	43,729,915	37,441,246	36,495,659	55,093,748
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	15,845,829	11,621,541	10,687,307	10,190,936	14,094,253
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	41,565,137	12,283,009	29,741,157	29,472,664	28,328,522
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(784,028)	20,460,752	(1,895)	(1,579)	247,153
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(7,387)				
56. Total (Line 35)	79,306,986	88,095,217	77,867,815	76,157,680	97,763,676
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)	(28,833,158)			77,657,158	20,302,087
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,620,346			407,613	5,400,752
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(1,776,424)			19,669,386	11,217,539
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(782,453)			456,058	283,487
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(7,387)				
62. Total (Line 35)	(27,779,076)			98,190,215	37,203,865
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)	52.4				52.9
65. Loss expenses incurred (Line 3)	10.8				10.7
66. Other underwriting expenses incurred (Line 4)	33.8				32.8
67. Net underwriting gain (loss) (Line 8)	3.0				3.9
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	24.9				33.5
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	63.2				63.6
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)	236.8			(91.5)	62.9
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)	(5,329)				(1,126)
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)	(14.9)				(1.0)
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)	(9,200)				2,648
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)	(24.3)				2.4

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	612	88	146	13	78	14	13	721	X X X
2. 1999	38,925	3,703	35,222	26,935	3,553	1,887	220	3,088	319	1,235	27,818	X X X
3. 2000	38,613	3,610	35,003	26,606	3,156	2,006	213	2,844	188	1,330	27,899	X X X
4. 2001	39,969	3,691	36,278	24,944	3,074	1,837	110	2,780	203	1,373	26,174	X X X
5. 2002	48,058	7,719	40,339	26,294	4,486	1,799	271	2,537	312	1,194	25,561	X X X
6. 2003	53,138	6,871	46,267	25,330	3,843	1,749	206	3,158	336	1,214	25,852	X X X
7. 2004	55,967	4,564	51,403	23,124	1,654	1,386	85	3,004	149	1,254	25,626	X X X
8. 2005	59,204	3,206	55,998	23,012	1,540	1,465	77	3,202	106	1,092	25,956	X X X
9. 2006	61,080	2,683	58,397	21,646	684	1,091	30	3,225	159	846	25,089	X X X
10. 2007	61,185	1,827	59,358	19,295	319	763	23	3,116	94	405	22,738	X X X
11. 2008	61,635	1,822	59,813	15,455	592	348	1	2,778	56	22	17,932	X X X
12. Totals	X X X	X X X	X X X	233,253	22,989	14,477	1,249	29,810	1,936	9,978	251,366	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	3,215	967	3,068	1,157	56	3	541	173	346	28	86	4,898	X X X
2. 1999	776	256	318	116	5		92	23	74	18	12	852	X X X
3. 2000	730	228	313	108	19		89	19	75	14	12	857	X X X
4. 2001	554	237	571	145	12		155	23	84	12	22	959	X X X
5. 2002	1,039	345	637	200	22	2	257	30	96	4	25	1,470	X X X
6. 2003	1,003	152	1,236	231	20		380	35	145	1	37	2,365	X X X
7. 2004	1,579	266	1,982	300	21		518	42	199		48	3,691	X X X
8. 2005	2,791	250	2,493	361	34		831	56	309		87	5,791	X X X
9. 2006	4,160	336	4,367	592	62		1,439	86	504		120	9,518	X X X
10. 2007	7,195	226	6,649	940	98		2,285	128	891		230	15,824	X X X
11. 2008	9,863	351	12,578	253	159		2,584	22	1,888	31	652	26,415	X X X
12. Totals	32,905	3,614	34,212	4,403	508	5	9,171	637	4,611	108	1,331	72,640	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	4,159	739
2. 1999	33,175	4,505	28,670	85.228	121.658	81.398			1.000	722	130
3. 2000	32,682	3,926	28,756	84.640	108.753	82.153			1.000	707	150
4. 2001	30,937	3,804	27,133	77.402	103.062	74.792			1.000	743	216
5. 2002	32,681	5,650	27,031	68.003	73.196	67.010			1.000	1,131	339
6. 2003	33,021	4,804	28,217	62.142	69.917	60.987			1.000	1,856	509
7. 2004	31,813	2,496	29,317	56.842	54.689	57.034			1.000	2,995	696
8. 2005	34,137	2,390	31,747	57.660	74.548	56.693			1.000	4,673	1,118
9. 2006	36,494	1,887	34,607	59.748	70.332	59.262			1.000	7,599	1,919
10. 2007	40,292	1,730	38,562	65.853	94.691	64.965			1.000	12,678	3,146
11. 2008	45,653	1,306	44,347	74.070	71.679	74.143			1.000	21,837	4,578
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	59,100	13,540

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) 1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	DEVELOPMENT 11 One Year	12 Two Year
1. Prior	19,714	19,436	19,046	19,841	20,154	20,472	21,230	21,267	21,754	21,600	(154)	333
2. 1999	23,625	24,369	24,547	24,927	25,213	25,401	25,629	25,754	25,922	25,893	(29)	139
3. 2000	X X X	24,207	25,093	25,361	25,945	25,969	26,098	26,149	26,310	26,092	(218)	(57)
4. 2001	X X X	X X X	24,344	24,067	24,512	24,617	24,654	24,470	24,873	24,549	(324)	79
5. 2002	X X X	X X X	X X X	26,133	25,910	25,778	25,292	25,334	25,014	24,793	(221)	(541)
6. 2003	X X X	X X X	X X X	X X X	26,668	25,923	25,326	25,292	25,623	25,331	(292)	39
7. 2004	X X X	X X X	X X X	X X X	X X X	31,059	29,540	29,055	26,774	26,352	(422)	(2,703)
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	32,615	31,350	29,018	28,434	(584)	(2,916)
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	34,701	32,583	31,128	(1,455)	(3,573)
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	36,387	34,757	(1,630)	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	39,820	X X X	X X X
										12. Totals	(5,329)	(9,200)

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) 1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000	5,722	9,271	11,605	12,977	13,866	14,704	15,444	15,964	16,621	X X X	X X X
2. 1999	11,466	17,143	19,858	21,854	23,077	23,923	24,340	24,658	24,862	25,049	X X X	X X X
3. 2000	X X X	11,316	17,392	20,274	22,346	23,583	24,332	24,794	25,063	25,243	X X X	X X X
4. 2001	X X X	X X X	11,120	16,662	19,208	21,092	22,060	22,747	23,186	23,597	X X X	X X X
5. 2002	X X X	X X X	X X X	10,102	15,717	18,713	20,970	22,194	22,883	23,336	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	10,635	16,171	18,959	20,934	22,349	23,030	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	10,454	16,498	19,517	21,463	22,771	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	11,120	17,452	20,657	22,860	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	11,780	18,556	22,023	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12,250	19,716	X X X	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	15,210	X X X	X X X

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	6,850	5,005	3,501	3,299	3,197	2,592	2,307	1,897	1,922	2,678
2. 1999	5,561	2,990	1,895	1,316	862	754	550	495	393	319
3. 2000	X X X	5,958	3,545	2,453	1,665	1,179	793	782	554	328
4. 2001	X X X	X X X	6,815	4,139	2,490	1,906	1,151	1,045	674	623
5. 2002	X X X	X X X	X X X	10,175	5,603	3,288	2,136	1,614	1,014	743
6. 2003	X X X	X X X	X X X	X X X	9,047	5,090	3,430	2,498	1,882	1,430
7. 2004	X X X	X X X	X X X	X X X	X X X	12,561	7,444	5,321	3,087	2,247
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	14,068	7,970	4,891	2,999
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,590	8,346	5,219
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	14,704	7,974
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	14,939

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	2,095,349	1,724,226		1,195,812	1,320,231	1,142,426	12,670	
2. Alaska	AK	L	1,377,118	1,191,777		365,983	313,936	379,949	8,327	
3. Arizona	AZ	L	3,818,100	3,989,771		1,166,595	807,288	2,632,558	23,087	
4. Arkansas	AR	L	1,396,226	1,559,625		893,310	1,904,490	1,620,985	8,443	
5. California	CA	L	1,171,091	269,062		1,578,380	(902,363)	28,330,602	7,081	
6. Colorado	CO	L	1,290,266	1,133,651		177,036	960,021	1,952,540	7,802	
7. Connecticut	CT	L	9,395,405	9,597,332		4,851,071	2,895,071	9,784,010	56,811	
8. Delaware	DE	L	395,282	440,031		284,302	188,502	1,046,452	2,390	
9. District of Columbia	DC	L	840,782	787,313		350,355	700,188	626,788	5,084	
10. Florida	FL	L	5,694,625	4,646,929		1,070,390	2,423,674	5,513,430	34,434	
11. Georgia	GA	L	1,415,193	1,525,976		316,631	611,703	725,850	8,557	
12. Hawaii	HI	N								
13. Idaho	ID	L	1,678,685	1,434,064		584,692	541,348	433,599	10,150	
14. Illinois	IL	L	5,837,143	5,931,155		2,645,745	3,173,262	6,096,592	35,295	
15. Indiana	IN	L	3,455,448	3,899,395		2,958,539	2,457,623	2,442,344	20,894	
16. Iowa	IA	L	217,185	297,391		460,247	202,800	1,119,787	1,313	
17. Kansas	KS	L	706,154	752,756		345,575	389,559	537,302	4,270	
18. Kentucky	KY	L	15,217,130	14,199,602		8,054,844	7,588,141	7,531,504	92,013	
19. Louisiana	LA	L	1,125,227	907,299		131,869	302,997	400,513	6,804	
20. Maine	ME	N								
21. Maryland	MD	L	10,861,489	11,460,777		6,531,731	8,643,246	17,334,583	65,676	
22. Massachusetts	MA	L	2,767,304	2,851,558		1,653,465	602,421	3,597,292	16,733	
23. Michigan	MI	L	4,403,358	5,240,010	90	3,918,072	3,783,481	6,329,108	26,626	
24. Minnesota	MN	L	954,138	1,062,920		861,919	(52,478)	1,500,977	5,769	
25. Mississippi	MS	L	3,207,715	2,462,315		529,663	1,410,856	1,302,880	19,396	
26. Missouri	MO	L	2,701,509	3,164,104		2,139,051	348,769	5,228,801	16,335	
27. Montana	MT	L	366,907	202,803		54,889	128,101	73,505	2,219	
28. Nebraska	NE	L	250,412	212,608		70,174	22,544	143,626	1,514	
29. Nevada	NV	L	62,920	49,544			4,537	19,683	380	
30. New Hampshire	NH	N	1,236	2,813			(80)	(39)	7	
31. New Jersey	NJ	L	15,316,808	14,778,817	64,662	5,786,057	272,523	20,359,756	92,616	
32. New Mexico	NM	L	1,263,851	1,088,016		359,153	457,401	604,256	7,642	
33. New York	NY	L	6,381,003	7,029,334		3,501,452	3,019,557	7,457,524	38,584	
34. North Carolina	NC	L	9,995,690	11,342,044	482	5,815,255	3,771,459	8,821,023	60,441	
35. North Dakota	ND	L	62,348	66,531		3,318	(402)	11,796	377	
36. Ohio	OH	L	8,548,966	8,250,069		5,354,839	5,819,271	3,553,962	51,693	
37. Oklahoma	OK	L	4,489,243	4,457,283		2,560,018	2,988,154	1,489,410	27,145	
38. Oregon	OR	L	3,296,703	2,797,981		772,395	1,540,652	1,592,057	19,934	
39. Pennsylvania	PA	L	29,641,383	31,802,655		18,940,369	17,451,479	60,908,139	179,232	
40. Rhode Island	RI	L	36,274	36,777			(3,670)	1,750	219	
41. South Carolina	SC	L	4,480,107	5,440,290		2,243,622	3,510,917	5,661,981	27,090	
42. South Dakota	SD	L	28,951	5,828			(320)	689	175	
43. Tennessee	TN	L	2,738,678	2,462,132		1,163,908	1,899,125	1,920,343	16,560	
44. Texas	TX	L	3,556,692	3,630,963		1,498,780	1,580,346	2,186,004	21,506	
45. Utah	UT	L	1,568,853	1,444,415		335,551	550,111	529,712	9,486	
46. Vermont	VT	N								
47. Virginia	VA	L	4,106,868	4,328,079		2,561,027	1,876,544	3,873,830	24,833	
48. Washington	WA	L	9,888,139	8,330,514		1,061,411	2,299,420	3,800,909	59,791	
49. West Virginia	WV	L	1,215,091	1,041,107		369,257	500,222	524,065	7,347	
50. Wisconsin	WI	L	2,089,344	2,224,781	151,765	1,616,259	1,408,268	2,020,513	12,634	
51. Wyoming	WY	L	401,319	315,600		1,088,797	593,245	571,954	2,427	
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	XXX								
59. Totals		(a) 47	191,809,708	191,870,023	216,999	98,221,808	90,304,170	233,737,320	1,159,812	

DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

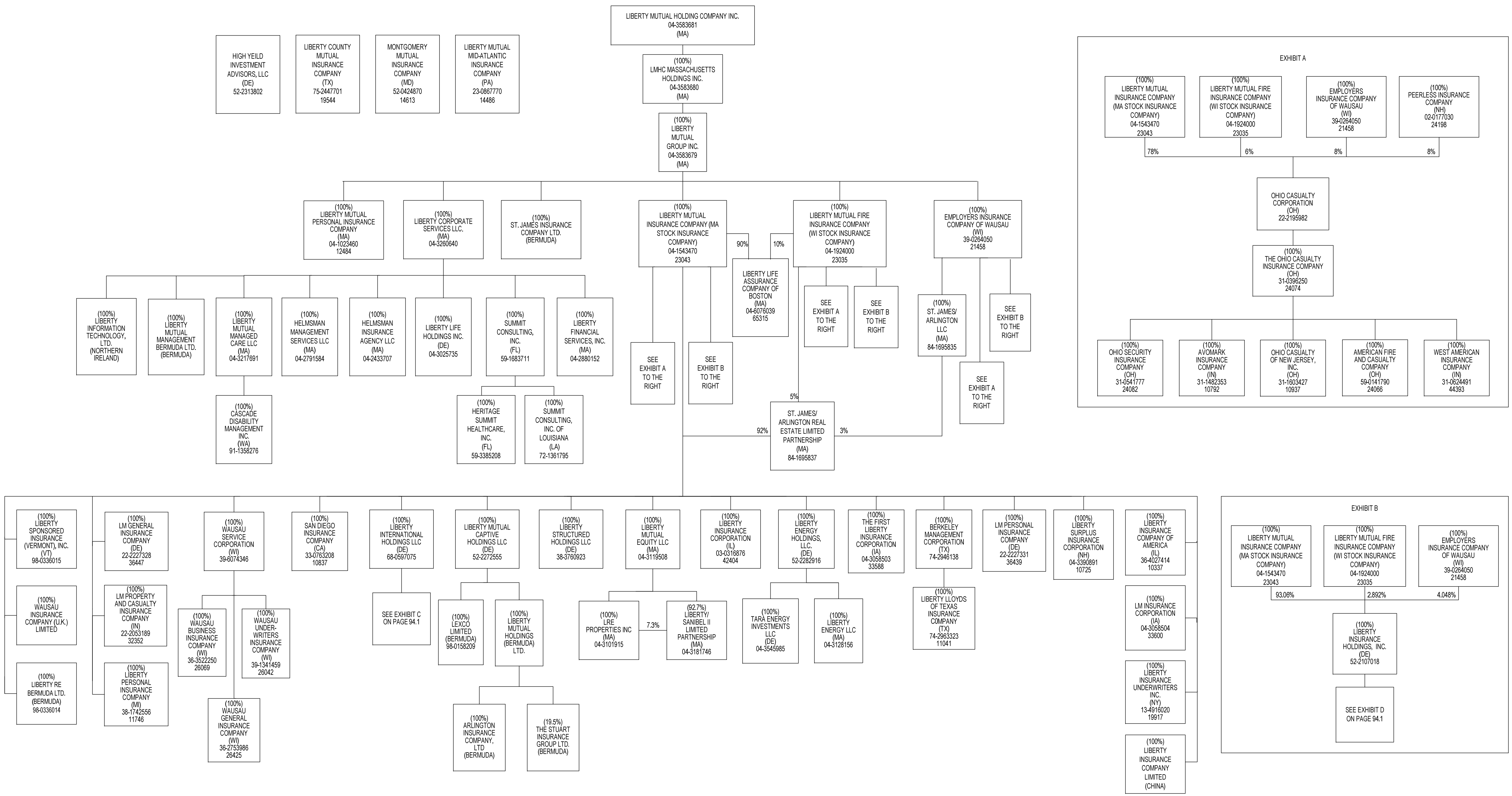
Explanation of basis of allocation of premiums by states, etc.

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
*States of Jurisdiction under which payrolls and resulting premiums are developed - Workers' Compensation *Location of Court - Surety
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage *Address of Assured - Other Accident and Health
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity *Location of Properties covered - Burglary and Theft
*Point of origin of shipment or principal location of assured - Inland Marine *Principal Location of Assured - Ocean Marine, Credit
*State in which employees regularly work - Group Accident and Health *Primary Residence of Assured - Aircraft (all perils)

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

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

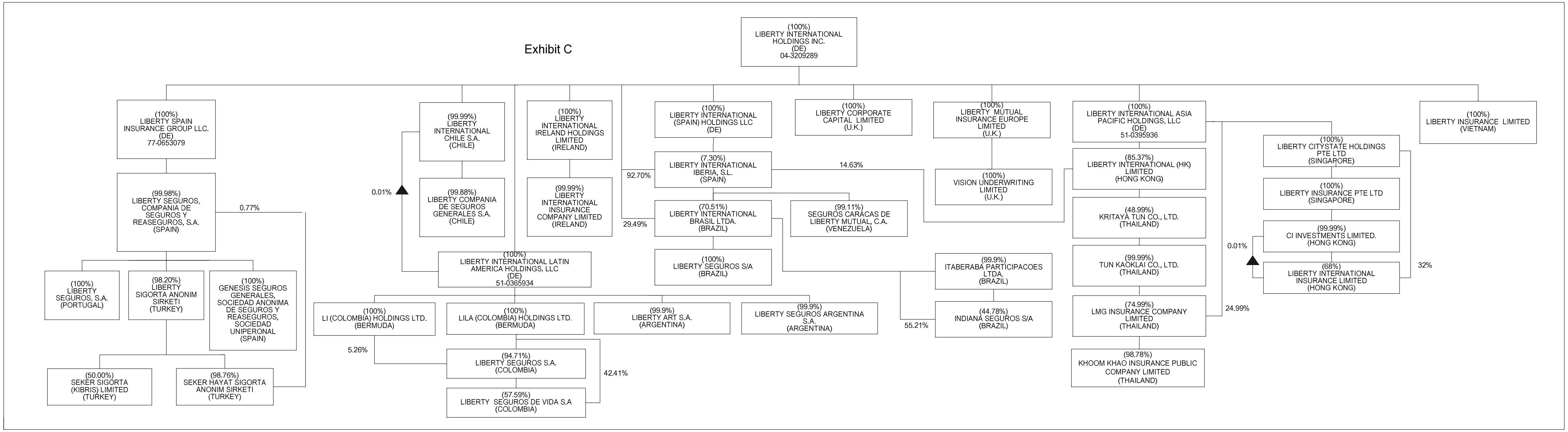
PART 1 - ORGANIZATIONAL CHART

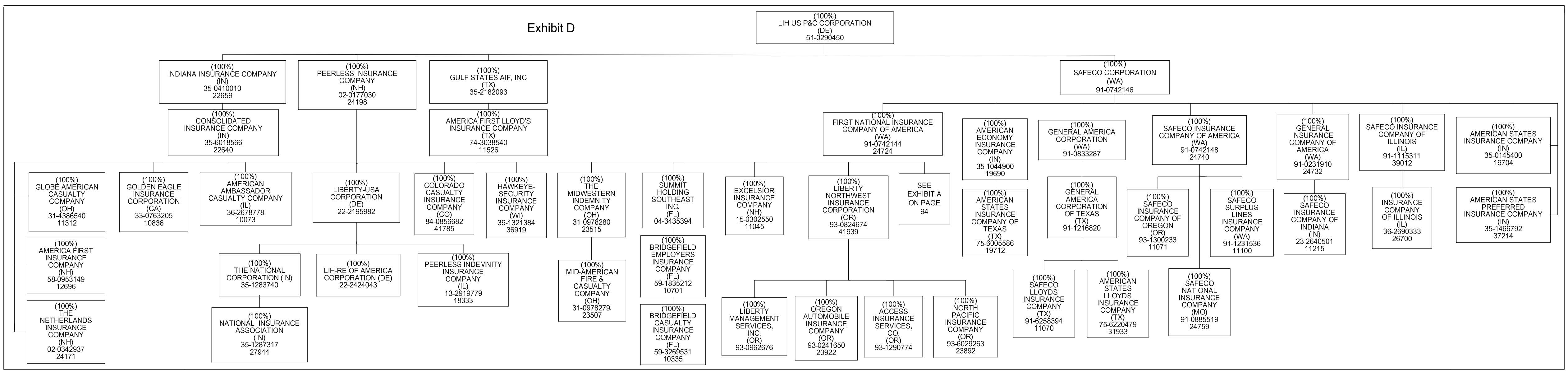


94

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

PART 1 - ORGANIZATIONAL CHART





OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT