1 9 7 0 4 2 0 0 8 2 0 1 0 0 1 0 0

PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

OF THE CONDITION AND AFFAIRS OF THE

AMERICAN STATES INSURANCE COMPANY

NAIC Group Code 0111 (Current Period), 0163 (Prior Period) NAIC Company Code 19704 Employer's ID Number 35-0145400

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

Country of Domicile United States

Incorporated/Organized 07/15/1929 Commenced Business 07/15/1929

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

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

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

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

Internet Website Address WWW.SAFECO.COM

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

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

OFFICERS

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

OTHER OFFICERS

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

DIRECTORS OR TRUSTEES

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

State of MASSACHUSETTS

County of SUFFOLK ss

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

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

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

COLLEEN K. LYNCH NOTARY PUBLIC
02/13/2015

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	1,428,378,014	0	1,428,378,014	1,422,240,928
2. Stocks (Schedule D):				
2.1 Preferred stocks	48,220,153	0	48,220,153	19,148,848
2.2 Common stocks	37,695	0	37,695	216,140,676
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less $ encumbrances)	0	0	0	0
4.3 Properties held for sale (less $ encumbrances)	0	0	0	0
5. Cash ($ 75,000 , Schedule E, Part 1), cash equivalents ($ 0 , Schedule E, Part 2) and short-term investments ($ 186,702,106 , Schedule DA)	186,777,106	0	186,777,106	16,581,270
6. Contract loans, (including $ premium notes)	0	0	0	0
7. Other invested assets (Schedule BA)	4,764,219	0	4,764,219	5,025,238
8. Receivables for securities	247,299	0	247,299	52,629
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,668,424,486	0	1,668,424,486	1,679,189,589
11. Title plants less $ charged off (for Title insurers only)	0	0	0	0
12. Investment income due and accrued	19,853,412	220,718	19,632,694	18,782,292
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	100,187,800	5,633,299	94,554,501	129,452,322
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 2,778,757 earned but unbilled premium)	159,314,429	308,751	159,005,678	140,444,602
13.3 Accrued retrospective premium	492,980	49,298	443,682	387,092
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	33,948,680	0	33,948,680	38,570,650
14.2 Funds held by or deposited with reinsured companies	504,383	0	504,383	47,302
14.3 Other amounts receivable under reinsurance contracts	0	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	15,530,239	0	15,530,239	10,346,859
16.2 Net deferred tax asset	41,595,298	0	41,595,298	38,850,891
17. Guaranty funds receivable or on deposit	1,480,186	0	1,480,186	667,425
18. Electronic data processing equipment and software	0	0	0	0
19. Furniture and equipment, including health care delivery assets ($)	0	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
21. Receivables from parent, subsidiaries and affiliates	41,127,937	0	41,127,937	8,595,000
22. Health care ($) and other amounts receivable	0	0	0	0
23. Aggregate write-ins for other than invested assets	5,819,497	4,942,938	876,559	4,658,595
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	2,088,279,327	11,155,004	2,077,124,323	2,069,992,619
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
26. Total (Lines 24 and 25)	2,088,279,327	11,155,004	2,077,124,323	2,069,992,619
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses	66,745	66,745	0	0
2302. Leasehold Improvements	439,239	439,239	0	0
2303. Miscellaneous Accounts Receivable	97,151	74,290	22,861	32,405
2398. Summary of remaining write-ins for Line 23 from overflow page	5,216,362	4,362,664	853,698	4,626,190
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	5,819,497	4,942,938	876,559	4,658,595

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	736,682,283	725,883,465
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	50,499,254	50,036,027
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	171,729,286	172,824,567
4. Commissions payable, contingent commissions and other similar charges	27,286,262	26,587,968
5. Other expenses (excluding taxes, licenses and fees)	48,418,988	50,270,684
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	14,986,886	6,040,679
7.1 Current federal and foreign income taxes (including $ (1,272,237) on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money $ and interest thereon $	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 292,144,716 and including warranty reserves of $)	383,835,113	419,458,971
10. Advance premium	6,030,370	5,361,306
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	1,246,506	1,394,261
12. Ceded reinsurance premiums payable (net of ceding commissions)	32,087,743	39,792,329
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	10,019	10,019
14. Amounts withheld or retained by company for account of others	3,358,487	3,299,333
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (Schedule F, Part 7)	18,788,857	18,951,784
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	48,311,879	30,690,665
20. Payable for securities	2,177	0
21. Liability for amounts held under uninsured plans	0	0
22. Capital notes $ and interest thereon $	0	0
23. Aggregate write-ins for liabilities	(7,398,372)	7,326,293
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,535,875,738	1,557,928,351
25. Protected cell liabilities	0	0
26. Total liabilities (Lines 24 and 25)	1,535,875,738	1,557,928,351
27. Aggregate write-ins for special surplus funds	12,654,151	0
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock	0	0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes	0	0
32. Gross paid in and contributed surplus	557,757,202	557,757,202
33. Unassigned funds (surplus)	(34,162,768)	(50,692,934)
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 $)	0	0
34.2 shares preferred (value included in Line 29 $)	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	541,248,585	512,064,268
36. Totals (Page 2, Line 26, Col. 3)	2,077,124,323	2,069,992,619
DETAILS OF WRITE-INS		
2301. Accounts Payable	4,256,391	6,752,412
2302. Accrued Return Retrospective Premiums	376,893	555,239
2303. Other Liabilities		18,642
2398. Summary of remaining write-ins for Line 23 from overflow page	(12,031,656)	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(7,398,372)	7,326,293
2701. Retroactive Reinsurance	12,654,151	0
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	12,654,151	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	1,050,646,083	1,062,478,192
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	583,267,679	564,428,696
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	120,791,993	103,351,318
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	318,600,034	325,690,784
5.	Aggregate write-ins for underwriting deductions	0	0
6.	Total underwriting deductions (Lines 2 through 5)	1,022,659,706	993,470,798
7.	Net income of protected cells		0
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	27,986,377	69,007,394
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	80,880,892	85,834,534
10.	Net realized capital gains (losses) less capital gains tax of $ (1,350,308) (Exhibit of Capital Gains (Losses))	(2,609,906)	12,481,462
11.	Net investment gain (loss) (Lines 9 + 10)	78,270,986	98,315,996
	OTHER INCOME		
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered $ 6,585 amount charged off $ 6,305,745)	(6,299,160)	(3,394,923)
13.	Finance and service charges not included in premiums	4,919,613	6,410,994
14.	Aggregate write-ins for miscellaneous income	3,086,645	357,230
15.	Total other income (Lines 12 through 14)	1,707,098	3,373,301
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	107,964,461	170,696,691
17.	Dividends to policyholders	1,262,647	901,469
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)	106,701,814	169,795,222
19.	Federal and foreign income taxes incurred	10,781,041	24,917,593
20.	Net income (Line 18 minus Line 19) (to Line 22)	95,920,773	144,877,629
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	512,064,268	770,709,585
22.	Net income (from Line 20)	95,920,773	144,877,629
23.	Net transfers (to) from Protected Cell accounts		0
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (25,898,007)	(48,105,267)	(8,672,228)
25.	Change in net unrealized foreign exchange capital gain (loss)		0
26.	Change in net deferred income tax	(17,702,733)	(13,795,685)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(1,516,868)	(1,333,123)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	162,926	(9,721,909)
29.	Change in surplus notes		0
30.	Surplus (contributed to) withdrawn from protected cells		0
31.	Cumulative effect of changes in accounting principles	6,051,451	0
32.	Capital changes:		
	32.1. Paid in		0
	32.2. Transferred from surplus (Stock Dividend)		0
	32.3. Transferred to surplus		0
33.	Surplus adjustments:		
	33.1. Paid in		0
	33.2. Transferred to capital (Stock Dividend)		0
	33.3. Transferred from capital		0
34.	Net remittances from or (to) Home Office		0
35.	Dividends to stockholders		(370,000,000)
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37.	Aggregate write-ins for gains and losses in surplus	(5,625,967)	0
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	29,184,316	(258,645,317)
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	541,248,584	512,064,268
	DETAILS OF WRITE-INS		
0501.			
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 5 from overflow page	0	0
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401.	Retroactive Reinsurance Gain	3,086,645	357,230
1402.			
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	3,086,645	357,230
3701.	Additional Minimum Liability on Benefit Plan	(5,625,967)	0
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(5,625,967)	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,025,915,337	1,071,433,215
2. Net investment income	84,572,622	97,110,597
3. Miscellaneous income	1,250,017	3,976,801
4. Total (Lines 1 through 3)	1,111,737,976	1,172,520,613
5. Benefit and loss related payments	558,073,740	559,054,421
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	439,133,231	441,602,871
8. Dividends paid to policyholders	1,410,402	725,900
9. Federal and foreign income taxes paid (recovered) net of $ (6,250,254) tax on capital gains (losses)	12,421,719	35,983,720
10. Total (Lines 5 through 9)	1,011,039,091	1,037,366,912
11. Net cash from operations (Line 4 minus Line 10)	100,698,885	135,153,701
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	148,531,190	456,475,246
12.2 Stocks	242,860,326	147,417,486
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	641,489	444,720
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	12,291	0
12.7 Miscellaneous proceeds	2	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	392,045,298	604,337,452
13. Cost of investments acquired (long-term only):		
13.1 Bonds	166,868,013	240,521,310
13.2 Stocks	115,067,606	82,144,380
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	8,250	60,100
13.6 Miscellaneous applications	11,864,654	11,600,757
13.7 Total investments acquired (Lines 13.1 to 13.6)	293,808,523	334,326,547
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	98,236,776	270,010,905
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	370,000,000
16.6 Other cash provided (applied)	(28,739,824)	(16,877,996)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(28,739,824)	(386,877,996)
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)	170,195,836	18,286,610
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	16,581,270	(1,705,340)
19.2 End of year (Line 18 plus Line 19.1)	186,777,106	16,581,270

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Lines of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	22,828,364	10,395,165	12,141,922	21,081,607
2.	Allied lines	16,911,001	7,685,703	8,937,616	15,659,088
3.	Farmowners multiple peril	5,804,867	2,943,709	2,824,456	5,924,120
4.	Homeowners multiple peril	132,042,239	78,681,460	58,706,519	152,017,180
5.	Commercial multiple peril	111,791,552	58,793,301	54,499,283	116,085,570
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	(7)	0	0	(7)
9.	Inland marine	13,242,683	7,290,226	6,553,864	13,979,045
10.	Financial guaranty	0	0	0	0
11.1	Medical malpractice - occurrence	242,689	136,927	124,200	255,416
11.2	Medical malpractice - claims-made	17,152	16,680	7,533	26,298
12.	Earthquake	2,290,967	4,727,655	3,212,548	3,806,074
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	1,804	1,366,708	1,288,627	79,885
16.	Workers' compensation	24,619,881	13,553,384	11,241,684	26,931,581
17.1	Other liability - occurrence	43,001,618	20,861,235	20,262,365	43,600,488
17.2	Other liability - claims-made	7,288,281	3,368,395	3,112,715	7,543,961
18.1	Products liability - occurrence	1,060,013	537,315	518,537	1,078,791
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	281,412,959	74,402,194	68,983,813	286,831,341
19.3,19.4	Commercial auto liability	65,245,221	36,114,576	31,128,160	70,231,637
21.	Auto physical damage	201,255,983	57,637,280	53,054,130	205,839,133
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	152,577	93,801	73,959	172,419
24.	Surety	85,524,440	40,953,976	47,026,984	79,451,432
26.	Burglary and theft	40,760	24,419	20,109	45,069
27.	Boiler and machinery	3,927	0	0	3,927
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Warranty	0		0	0
31.	Reinsurance - Nonproportional Assumed Property	2,028	0	0	2,028
32.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0
35.	TOTALS	1,014,780,999	419,584,109	383,719,025	1,050,646,083
	DETAILS OF WRITE-INS				
3401.					
3402.					
3403.					
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	12,142,872	(950)		0	12,141,922
2.	Allied lines	8,955,924	(18,308)		0	8,937,616
3.	Farmowners multiple peril	2,824,456	0		0	2,824,456
4.	Homeowners multiple peril	58,710,720	(4,201)		0	58,706,519
5.	Commercial multiple peril	54,499,283	0		0	54,499,283
6.	Mortgage guaranty	0	0		0	0
8.	Ocean marine	0	0		0	0
9.	Inland marine	6,553,736	128		0	6,553,864
10.	Financial guaranty	0	0		0	0
11.1	Medical malpractice - occurrence	124,200	0		0	124,200
11.2	Medical malpractice - claims-made	7,533	0		0	7,533
12.	Earthquake	3,213,791	(1,242)		0	3,212,548
13.	Group accident and health	0	0		0	0
14.	Credit accident and health (group and individual)	0	0		0	0
15.	Other accident and health	1,288,627	0		0	1,288,627
16.	Workers' compensation	11,321,525	13		(79,854)	11,241,684
17.1	Other liability - occurrence	20,218,369	43,996		0	20,262,365
17.2	Other liability - claims-made	3,134,108	(1,436)		(19,956)	3,112,715
18.1	Products liability - occurrence	518,537	0		0	518,537
18.2	Products liability - claims-made	0	0		0	0
19.1,19.2	Private passenger auto liability	68,999,793	297		(16,277)	68,983,813
19.3,19.4	Commercial auto liability	31,128,160	0		0	31,128,160
21.	Auto physical damage	53,053,862	268		0	53,054,130
22.	Aircraft (all perils)	0	0		0	0
23.	Fidelity	66,820	7,139		0	73,959
24.	Surety	26,403,058	20,623,926		0	47,026,984
26.	Burglary and theft	20,109	0		0	20,109
27.	Boiler and machinery	0	0		0	0
28.	Credit	0	0		0	0
29.	International	0	0		0	0
30.	Warranty	0	0		0	0
31.	Reinsurance - Nonproportional Assumed Property					0
32.	Reinsurance - Nonproportional Assumed Liability					0
33.	Reinsurance - Nonproportional Assumed Financial Lines					0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0
35.	TOTALS	363,185,482	20,649,630	0	(116,088)	383,719,025
36.	Accrued retrospective premiums based on experience					116,088
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					383,835,113
	DETAILS OF WRITE-INS					
3401.						
3402.						
3403.						
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

	Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1.	Fire	7,564,635	22,828,364	0	7,564,635	0	22,828,364
2.	Allied lines	7,790,664	16,911,001	0	7,790,664	0	16,911,001
3.	Farmowners multiple peril	20,584,326	5,804,867	0	20,584,326	0	5,804,867
4.	Homeowners multiple peril	510,801	132,042,239	0	510,801	0	132,042,239
5.	Commercial multiple peril	153,731,580	111,791,552	0	153,731,580	0	111,791,552
6.	Mortgage guaranty	0	0	0	0	0	0
8.	Ocean marine	0	(7)	0	0	0	(7)
9.	Inland marine	20,653,747	13,242,683	0	20,653,747	0	13,242,683
10.	Financial guaranty	0	0	0	0	0	0
11.1	Medical malpractice - occurrence	0	242,689	0	0	0	242,689
11.2	Medical malpractice - claims-made	0	17,152	0	0	0	17,152
12.	Earthquake	619,577	2,290,967	0	619,577	0	2,290,967
13.	Group accident and health	0	0	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0	0	0
15.	Other accident and health	928,301	1,804	0	928,301	0	1,804
16.	Workers' compensation	52,307,971	24,619,881	3,753,331	56,061,302	0	24,619,881
17.1	Other liability - occurrence	122,860,782	43,001,618	(812)	122,859,970	0	43,001,618
17.2	Other liability - claims-made	537,597	7,288,281	0	537,597	0	7,288,281
18.1	Products liability - occurrence	2,557,487	1,060,013	0	2,557,487	0	1,060,013
18.2	Products liability - claims-made	0	0	0	0	0	0
19.1,19.2	Private passenger auto liability	4,198,197	281,412,959	0	4,198,197	0	281,412,959
19.3,19.4	Commercial auto liability	147,574,448	65,245,221	0	147,574,448	0	65,245,221
21.	Auto physical damage	37,669,780	201,255,983	0	37,669,780	0	201,255,983
22.	Aircraft (all perils)	0	0	0	0	0	0
23.	Fidelity	643,651	152,577	0	643,651	0	152,577
24.	Surety	8,235,835	85,524,443	0	8,235,838	0	85,524,440
26.	Burglary and theft	90,772	40,760	0	90,772	0	40,760
27.	Boiler and machinery	355,666	3,927	0	355,666	0	3,927
28.	Credit	0	0	0	0	0	0
29.	International	0	0	0	0	0	0
30.	Warranty	0	0	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Property	XXX	7,610	16,254	16,254	5,582	2,028
32.	Reinsurance - Nonproportional Assumed Liability	XXX	0	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
35.	TOTALS	589,415,817	1,014,786,584	3,768,773	593,184,593	5,582	1,014,780,999
	DETAILS OF WRITE-INS						
3401.							
3402.							
3403.							
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

	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	3,246,135	10,804,370	3,246,135	10,804,370	5,965,913	4,075,107	12,695,176	60.2
2. Allied lines	5,835,186	10,996,263	5,835,186	10,996,263	4,273,113	4,746,003	10,523,374	67.2
3. Farmowners multiple peril	9,936,801	3,311,679	9,936,801	3,311,679	1,336,247	1,597,325	3,050,601	51.5
4. Homeowners multiple peril	619,141	97,394,203	619,141	97,394,203	42,288,209	34,487,797	105,194,615	69.2
5. Commercial multiple peril	80,273,324	65,439,264	80,273,324	65,439,264	99,929,674	97,460,419	67,908,519	58.5
6. Mortgage guaranty	0	0	0	0	0	0	0	0.0
8. Ocean marine	0	2,184	0	2,184	24,498	28,404	(1,722)	24,601.7
9. Inland marine	5,913,809	5,291,261	5,913,809	5,291,261	1,271,023	1,079,017	5,483,267	39.2
10. Financial guaranty	0	0	0	0	51	202	(151)	0.0
11.1 Medical malpractice - occurrence	0	31,967	0	31,967	315,684	298,887	48,764	19.1
11.2 Medical malpractice - claims-made	0	40,673	0	40,673	142,963	199,682	(16,046)	(61.0)
12. Earthquake	0	1,478	0	1,478	24,197	29,224	(3,549)	(0.1)
13. Group accident and health	0	0	0	0	0	0	0	0.0
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0.0
15. Other accident and health	1,072,809	965,424	1,912,154	126,079	1,567,904	1,783,066	(89,083)	(111.5)
16. Workers' compensation	39,866,395	24,454,781	46,307,146	18,014,030	119,645,580	130,707,897	6,951,714	25.8
17.1 Other liability - occurrence	44,069,662	17,273,120	44,151,007	17,191,775	75,259,184	73,994,783	18,456,176	42.3
17.2 Other liability - claims-made	0	5,696,841	0	5,696,841	8,889,292	10,312,109	4,274,024	56.7
18.1 Products liability - occurrence	1,398,506	604,392	1,398,506	604,392	2,564,109	2,370,572	797,929	74.0
18.2 Products liability - claims-made	0	0	0	0	298	25	273	0.0
19.1,19.2 Private passenger auto liability	2,578,726	169,516,188	2,578,726	169,516,188	236,116,251	240,452,347	165,180,092	57.6
19.3,19.4 Commercial auto liability	73,615,498	31,889,064	73,950,498	31,554,064	75,902,503	62,468,784	44,987,783	64.1
21. Auto physical damage	24,452,541	118,824,325	24,452,541	118,824,325	7,786,117	6,518,750	120,091,692	58.3
22. Aircraft (all perils)	0	92,339	0	92,339	152,695	132,619	112,415	0.0
23. Fidelity	98,325	25,183	98,325	25,183	30,389	26,660	28,912	16.8
24. Surety	526,236	4,182,881	524,589	4,184,528	15,476,679	11,771,294	7,889,913	9.9
26. Burglary and theft	8,566	1,627	8,566	1,627	5,986	4,682	2,931	6.5
27. Boiler and machinery	91,905	0	91,905	0	9,292	8,675	617	15.7
28. Credit	0	0	0	0	0	0	0	0.0
29. International	0	0	0	0	0	0	0	0.0
30. Warranty	0	0	0	0	0		0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	26,188,468	22,174,245	4,014,223	0	0	4,014,223	197,940.0
32. Reinsurance - Nonproportional Assumed Liability	XXX	0	0	0	37,704,432	41,329,138	(3,624,706)	0.0
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	0	0	0	0.0
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35. TOTALS	293,603,565	593,027,975	323,472,604	563,158,936	736,682,283	725,883,464	573,957,755	54.6
DETAILS OF WRITE-INS								
3401.								
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

		Reported Losses				Incurred But Not Reported			8	9
	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	1,882,374	4,894,783	1,882,374	4,894,783	294,291	1,071,137	294,298	5,965,913	433,367
2.	Allied lines	1,195,213	3,171,897	1,195,213	3,171,897	1,014,536	1,104,400	1,017,720	4,273,113	614,218
3.	Farmowners multiple peril	4,731,468	1,152,380	4,731,468	1,152,380	645,626	183,867	645,626	1,336,247	569,501
4.	Homeowners multiple peril	593,674	31,801,067	593,674	31,801,067	58,160	10,487,142	58,160	42,288,209	6,589,332
5.	Commercial multiple peril	106,917,295	61,994,794	106,917,295	61,994,794	87,474,940	37,924,416	87,464,476	99,929,674	48,347,672
6.	Mortgage guaranty	0	0	0	0	0	0	0	0	0
8.	Ocean marine	0	3,670	0	3,670	0	20,828	0	24,498	10
9.	Inland marine	946,902	741,234	946,902	741,234	724,332	530,119	724,662	1,271,023	310,823
10.	Financial guaranty	0	0	0	0	0	51	0	51	87
11.1	Medical malpractice - occurrence	0	202,812	0	202,812	7,879	112,872	7,879	315,684	110,558
11.2	Medical malpractice - claims-made	0	77,900	0	77,900	0	65,063	0	142,963	58,110
12.	Earthquake	0	6,650	0	6,650	15,750	17,547	15,750	24,197	20,357
13.	Group accident and health	0	0	0	0	0	0	0	(a) 0	0
14.	Credit accident and health (group and individual)	0	0	0	0	0	0	0	0	0
15.	Other accident and health	3,377,732	30,936,183	32,664,191	1,649,724	0	(81,820)	0	(a) 1,567,904	0
16.	Workers' compensation	187,495,270	124,680,959	223,335,251	88,840,978	78,305,294	58,973,097	106,473,789	119,645,580	17,397,040
17.1	Other liability - occurrence	66,352,010	30,098,671	67,893,036	28,557,645	173,921,879	46,575,223	173,795,563	75,259,184	28,411,148
17.2	Other liability - claims-made	3,000	3,614,194	3,000	3,614,194	106,172	5,275,098	106,172	8,889,292	4,035,681
18.1	Products liability - occurrence	3,048,963	2,131,686	3,048,963	2,131,686	689,770	432,423	689,770	2,564,109	1,312,532
18.2	Products liability - claims-made	0	0	0	0	0	298	0	298	65
19.1,19.2	Private passenger auto liability	31,889,162	188,622,115	31,889,162	188,622,115	469,072	47,492,849	467,785	236,116,251	38,601,695
19.3,19.4	Commercial auto liability	132,534,994	54,661,184	132,691,503	54,504,675	47,103,542	22,185,348	47,891,062	75,902,503	11,204,659
21.	Auto physical damage	2,258,350	1,029,383	2,258,350	1,029,383	18,572	6,854,431	116,269	7,786,117	2,699,997
22.	Aircraft (all perils)	0	181,538	31,427	150,111	0	2,584	0	152,695	1
23.	Fidelity	113,792	24,359	113,792	24,359	24,368	6,030	24,368	30,389	4,873
24.	Surety	(476,938)	(5,766,475)	(476,938)	(5,766,475)	730,140	21,243,154	730,140	15,476,679	10,661,664
26.	Burglary and theft	581	110	581	110	4,135	5,876	4,135	5,986	3,190
27.	Boiler and machinery	25,473	0	25,473	0	24,005	9,292	24,005	9,292	5,719
28.	Credit	0	0	0	0	0	0	0	0	0
29.	International	0	0	0	0	0	0	0	0	0
30.	Warranty	0	0	0	0	0	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Property	XXX	0	0	0	XXX	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Liability	XXX	147,075,243	123,996,234	23,079,009	XXX	93,423,098	78,797,675	37,704,432	336,985
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	XXX	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
35.	TOTALS	542,889,315	681,336,337	733,740,951	490,484,701	391,632,463	353,914,423	499,349,304	736,682,283	171,729,284
	DETAILS OF WRITE-INS									
3401.										
3402.										
3403.										
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	29,873,777			29,873,777
1.2 Reinsurance assumed	38,013,596			38,013,596
1.3 Reinsurance ceded	31,303,736			31,303,736
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	36,583,637	0	0	36,583,637
2. Commission and brokerage:				
2.1 Direct, excluding contingent	0	89,326,789		89,326,789
2.2 Reinsurance assumed, excluding contingent		147,840,308		147,840,308
2.3 Reinsurance ceded, excluding contingent		91,040,879		91,040,879
2.4 Contingent-direct		11,118,359		11,118,359
2.5 Contingent-reinsurance assumed		14,376,965		14,376,965
2.6 Contingent-reinsurance ceded		11,180,028		11,180,028
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	160,441,514	0	160,441,514
3. Allowances to manager and agents	1,685,181	2,089,353	75	3,774,609
4. Advertising	64,149	2,937,022	0	3,001,171
5. Boards, bureaus and associations	409	2,266,041	0	2,266,450
6. Surveys and underwriting reports	3,502,543	7,304,266	523	10,807,332
7. Audit of assureds' records			0	0
8. Salary and related items:				
8.1 Salaries	43,728,900	52,281,161	4,115,784	100,125,845
8.2 Payroll taxes	3,184,431	3,636,545	40,077	6,861,053
9. Employee relations and welfare	6,265,965	10,481,524	85,097	16,832,586
10. Insurance	2,289,633	1,185,293	0	3,474,926
11. Directors' fees		307,961	0	307,961
12. Travel and travel items	3,225,266	3,617,022	14,171	6,856,459
13. Rent and rent items	5,551,743	7,383,735	22,802	12,958,280
14. Equipment	850,328	1,208,958	2,788	2,062,074
15. Cost or depreciation of EDP equipment and software	5,338,457	10,115,931	68,838	15,523,226
16. Printing and stationery	293,780	695,621	147,930	1,137,331
17. Postage, telephone and telegraph, exchange and express	2,015,601	4,733,776	5,675	6,755,052
18. Legal and auditing	6,211,970	12,679,258	213,944	19,105,172
19. Totals (Lines 3 to 18)	84,208,356	122,923,467	4,717,704	211,849,527
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 468,667		19,137,763		19,137,763
20.2 Insurance department licenses and fees		2,438,914		2,438,914
20.3 Gross guaranty association assessments		1,050,032		1,050,032
20.4 All other (excluding federal and foreign income and real estate)		12,229,603		12,229,603
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	34,856,312	0	34,856,312
21. Real estate expenses		0		0
22. Real estate taxes				0
23. Reimbursements by uninsured plans		(12,522)		(12,522)
24. Aggregate write-ins for miscellaneous expenses	0	391,263	0	391,263
25. Total expenses incurred	120,791,993	318,600,034	4,717,704	(a) 444,109,731
26. Less unpaid expenses - current year	171,729,284	89,879,956	812,180	262,421,420
27. Add unpaid expenses - prior year	172,824,567	82,787,150	112,181	255,723,898
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	121,887,276	311,507,228	4,017,705	437,412,209
DETAILS OF WRITE-INS				
2401. Charitable Contributions		391,263		391,263
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	0	391,263	0	391,263

(a) Includes management fees of $ 152,965 to affiliates and $ 15,613 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

			1 Collected During Year		2 Earned During Year
1.	U.S. Government bonds	(a)	6,830,002		6,748,179
1.1	Bonds exempt from U.S. tax	(a)	41,731,344		42,397,612
1.2	Other bonds (unaffiliated)	(a)	26,253,413		25,714,684
1.3	Bonds of affiliates	(a)	0		
2.1	Preferred stocks (unaffiliated)	(b)	3,218,219		4,357,535
2.11	Preferred stocks of affiliates	(b)	0		
2.2	Common stocks (unaffiliated)		3,654,184		3,482,956
2.21	Common stocks of affiliates		0		
3.	Mortgage loans	(c)			
4.	Real estate	(d)			
5.	Contract loans				
6.	Cash, cash equivalents and short-term investments	(e)	1,634,605		1,691,889
7.	Derivative instruments	(f)			
8.	Other invested assets				
9.	Aggregate write-ins for investment income		1,241,186		1,241,186
10.	Total gross investment income		84,562,953		85,634,041
11.	Investment expenses			(g)	1,399,437
12.	Investment taxes, licenses and fees, excluding federal income taxes			(g)	0
13.	Interest expense			(h)	35,445
14.	Depreciation on real estate and other invested assets			(i)	
15.	Aggregate write-ins for deductions from investment income				3,318,267
16.	Total deductions (Lines 11 through 15)				4,753,149
17.	Net investment income (Line 10 minus Line 16)				80,880,892
	DETAILS OF WRITE-INS				
0901.	Securities Lending Income		851,912		851,912
0902.	Miscellaneous Interest Income		389,274		389,274
0903.					
0998.	Summary of remaining write-ins for Line 9 from overflow page		0		0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		1,241,186		1,241,186
1501.	Leaseback Adjustment				3,318,267
1502.					
1503.					
1598.	Summary of remaining write-ins for Line 15 from overflow page				0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)				3,318,267

(a) Includes $ 2,693,564 accrual of discount less $ 7,457,280 amortization of premium and less $ 1,205,598 paid for accrued interest on purchases.
(b) Includes $ 5,945 accrual of discount less $ 5,079 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ .... paid for accrued interest on purchases.
(d) Includes $ .... for company's occupancy of its own buildings; and excludes $ .... interest on encumbrances.
(e) Includes $ 608,433 accrual of discount less $ .... amortization of premium and less $ 27,666 paid for accrued interest on purchases.
(f) Includes $ .... accrual of discount less $ .... amortization of premium.
(g) Includes $ .... investment expenses and $ .... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ .... interest on surplus notes and $ .... interest on capital notes.
(i) Includes $ .... depreciation on real estate and $ .... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	0	0	0	0	
1.1	Bonds exempt from U.S. tax	3,803,794	(80,367)	3,723,427	0	
1.2	Other bonds (unaffiliated)	(994,122)	(4,048,248)	(5,042,370)	(2,825,028)	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	4,127	(4,566,191)	(4,562,064)	(7,663,846)	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	24,584,640	(10,885,637)	13,699,003	(64,004,963)	0
2.21	Common stocks of affiliates	0	0	0	0	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	12,291	(11,672,162)	(11,659,871)		
7.	Derivative instruments	0		0		
8.	Other invested assets	(118,341)	0	(118,341)	490,561	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	27,292,389	(31,252,605)	(3,960,216)	(74,003,276)	0
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)	0	0	0
12. Investment income due and accrued	220,718	0	(220,718)
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	5,633,299	7,278,316	1,645,017
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	308,751	318,502	9,751
13.3 Accrued retrospective premiums	49,298	43,010	(6,288)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	0	0	0
19. Furniture and equipment, including health care delivery assets	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable	0	0	0
23. Aggregate write-ins for other than invested assets	4,942,938	1,998,308	(2,944,630)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	11,155,004	9,638,136	(1,516,868)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	11,155,004	9,638,136	(1,516,868)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Leasehold Improvements	439,239	1,825,740	1,386,501
2302. Miscellaneous Accounts Receivable	74,290	73,147	(1,143)
2303. Prepaid Expenses	66,745	99,421	32,676
2398. Summary of remaining write-ins for Line 23 from overflow page	4,362,664	0	(4,362,664)
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	4,942,938	1,998,308	(2,944,630)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

B. Use of Estimates

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

C. Accounting Policies

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

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

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

In addition, the Company uses the following accounting policies:

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

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

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

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

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

5. Mortgage Loans

   The Company does not have any investments in mortgage loans.

NOTES TO FINANCIAL STATEMENTS

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

7. The Company does not own any subsidiaries, controlled or affiliated entities.

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

9. Derivatives

   The Company does not have any investments in derivatives.

10. Premium Deficiency Reserve

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

11. Method of establishing loss and LAE reserves

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

    Asbestos:

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

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

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

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

    In estimating our loss reserves for asbestos claims, we:

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

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

    Environmental and Other Toxic Tort Claims:

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

12. Capitalization Policy

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

13. Pharmaceutical Rebate Receivables

The Company has no pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors

In September 2008, the Company changed its reserve methodology and began discounting its workers' compensation reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers' compensation claims. See Note 31 regarding Discounting of Liabilities for Unpaid Losses. The cumulative effect of this change in reserve method was recorded in 2008 as an increase in unassigned funds (surplus) of $6,052,000. The impact of this change was an increase in 2008 unassigned funds (surplus) of $6,052,000, a reduction in the reserve for unpaid losses of $9,310,000 and a decrease in the federal income tax recoverable of $3,258,000.

In 2008, the Company corrected the reporting of Split-Dollar Life Insurance Arrangements. At December 31, 2008, we correctly reported non-admitted assets in the amount of $4,354,000 related to Split-Dollar Life Insurance Arrangements. At 12/31/2007, these Split-Dollar Life Insurance assets in the amount of $3,947,000 were incorrectly reported as admitted assets. The admissibility of assets related to ownership and control of life insurance arrangements is currently being reviewed by the NAIC as a modification to SSAP 21, paragraph 6.

In 2007, the Company corrected the reporting for business placed directly with third party reinsurers by both the Company and their affiliates based on the reinsurance treaties in place. In 2006 and prior, this business was incorrectly reported as reinsurance ceded by the Company to its affiliate, Safeco Insurance Company of America, rather than reinsurance ceded to outside reinsurers. This error resulted in an overstatement of ceded losses to its affiliate and understatement of ceded losses to outside reinsurers in the 2006 Annual Statement, however there was no net impact on surplus. In 2007, the Company correctly reported the ceded losses of approximately $115.1 million related to these reinsurance treaties. However, due to the Intercompany Pooling Agreement described in Note 25, this correction had no impact on the surplus of either the Company or the affiliate. There was no impact on the net unpaid losses reported in the Company's 2007 Statement of Assets, Liabilities and Surplus and no impact on the net incurred losses reported in the 2007 Statement of Income. These reinsurance transactions are correctly reported in Schedule F in the 2008 and 2007 Annual Statement.

3. Business Combinations and Goodwill

A. Statutory purchase method

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

B. Statutory mergers

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

C. Impairment loss

Not Applicable

4. Discontinued Operations

The Company had no discontinued operations to report.

5. Investments

A. Mortgage loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

The Company has no reverse mortgages

NOTES TO FINANCIAL STATEMENTS

D. Loan-backed securities

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

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

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

E. Repurchase Agreements

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

F. Real estate impairments and retail land sales

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

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

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

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

G. Low Income Housing Tax Credits

1. The Company has two investments that generate Low Income Housing Tax Credits (LIHTC). The investment in NYS Tax Credit Fund, LP has 1 remaining year of unexpired tax credits and the required holding period is 2 years. The investment in K.P. III, LP has no remaining years of unexpired tax credits and the required holding period is zero. K.P. II, LP was dissolved in Feb. 2008.

2. The Company is not aware of any regulatory reviews related to the LIHTC properties.

3. The LIHTC investments do not exceed 10% of the Company’s total admitted assets.

4. The Company did not recognize an impairment loss on the LIHTC investments.

5. The Company did not recognize a write-down or reclassification of the LIHTC investments during the year due to forfeiture or ineligibility of the tax credits.

6. Joint Ventures, Partnerships and Limited Liability Companies

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

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

B. Write downs for impairments

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

7. Investment Income

A. Accrued Investment Income

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

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

B. Amounts excluded

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

As of December 31, 2008, the Company non-admitted $220,718 of investment income due and accrued over 90 days past due.

8. Derivative Instruments

The Company does not own any derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. Federal Income Tax Allocation

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	131,487,450	151,106,638	(19,619,188)
Total of deferred tax liabilities	(89,892,152)	(112,255,747)	22,363,595
Net deferred tax asset (liability)	41,595,298	38,850,891	2,744,407
Net deferred tax asset non-admitted	0	0	0
Net admitted deferred tax asset (liability)	**41,595,298**	**38,850,891**	**2,744,407**

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	10,781,041	24,917,593
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	10,781,041	24,917,593
Tax on capital gains	(1,350,308)	8,905,145
Total income tax incurred	9,430,733	33,822,738

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

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	(23,153,600)
Tax effect of unrealized (gains) losses	25,898,007
Total change in net deferred income tax	2,744,407

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

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is $9,946,622 from the current year and $36,291,182 from the preceding year.

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

The Company has no foreign tax credit.

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

10. Information Concerning Parent, Subsidiaries, and Affiliates

A. The Nature of the Relationship Involved

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

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

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

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

- On July 31, 2008, the Company loaned overnight invested funds in the amount of $40,190,000.
- On August 31, 2008, the Company loaned overnight invested funds in the amount of $34,625,000.
- On September 30, 2008, the Company loaned overnight invested funds in the amount of $41,095,000.
- On October 23, 2008, the Company loaned $41,695,000. The loan settled on November 18, 2008.
- On October 31, 2008, the Company loaned overnight invested funds in the amount of $13,245,000.
- On November 5, 2008, the Company loaned $20,000,000. The loan settled on November 18, 2008.
- On November 21, 2008, the Company loaned $20,405,000. The loan settled on November 25, 2008.
- On November 30, 2008, the Company loaned overnight invested funds in the amount of $25,480,000.
- On December 31, 2008, the Company loaned overnight invested funds in the amount of $17,955,000.

C. Change in Terms of Intercompany Arrangements

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

D. Amounts Due to or from Related Parties

	Due (To) From 12/31/2008	Due (To) From 12/31/2007
Intercompany Loan	$245,000	$0
Intercompany Reinsurance Offset	($2,754,580)	($12,080,772)
Intercompany Expense Sharing	($22,629,362)	($18,609,894)
Overnight Invested Funds	$17,955,000	$8,595,000

E. Guarantees or Contingencies for Related Parties

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

F. Management or Service Contracts and Cost Sharing Arrangements

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

2. Liberty Mutual Investment Advisors LLC (LMIA) and Liberty Mutual Insurance Company (LMIC) are members of Liberty Mutual Group and each provides investment management services to affiliates. Effective September 22, 2008, American States Insurance Company entered into Investment Management Agreements with LMIA and LMIC, respectively. The Investment Management Agreements specify the services to be performed by LMIA and LMIC, the authority granted to LMIA and LMIC, the investment policy and guidelines, and the compensation to be paid. The Investment Management Agreement also contains customary provisions on termination, amendment, choice of law, and assignment. Investment fees payable to LMIC totaled $152,965 as of December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

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

G. Nature of Relationships that Could Affect Operations

The Company participates in an intercompany pooling agreement with its affiliates, as described in Note 25, whereby it retains 19% of the net premiums, losses and associated assets and liabilities of the Safeco Insurance Companies. The operating results or financial position of the Company could be significantly different from those results reported in these statements if it operated without the intercompany pooling agreement. The intercompany pooling agreement was terminated effective January 1, 2009. Effective January 1, 2009, the existing Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. The Company's participation percentage in the PIC agreement is 7.6%.

H. Amount Deducted for Investment in Upstream Company

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

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

The Company does not have an investment in a subsidiary, controlled or affiliated company that exceeds 10% of admitted assets.

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

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

K. Investment in a foreign insurance subsidiary

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

L. Investment in Downstream Holding Company

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

11. Debt

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

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

A. Defined Benefit Plans

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

B. Defined Contribution Plans

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

C. Multiemployer Plans

Not Applicable

NOTES TO FINANCIAL STATEMENTS

D. Consolidated/Holding Company Plans

The Parent sponsors a cash balance defined benefit pension plan covering a wide range of Company employees. Benefit accruals in the plan consist of pay credits, based on each eligible participant's compensation, plus a stipulated rate of return on their benefit balance. Pay credits were provided for the years 1989 through 2007 and ceased effective January 1, 2008. The Parent terminated the cash balance plan effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The Parent's funding policy is to contribute amounts at least sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act (ERISA) that can be deducted for federal income tax purposes. Pension costs are subject to the intercompany pooling agreement described in Note 25 and are charged to the Company based on a percentage of payroll. These costs amounted to $604,000 and $11,141,000 in 2008 and 2007, respectively. In 2008, an additional minimum liability of $5,625,967 was recognized in accordance with SSAP 89 and is reported as a component of unassigned funds(surplus). The 2007 costs included a one-time recognition of liabilities for the vesting and plan freeze changes adopted in 2007. In 2007, the prepaid cash balance plan, which was reported as a non-admitted asset, was decreased by $33,759,000, which included a one-time curtailment loss of $25,000,000. The Company has no legal obligation for benefits under this plan.

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

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

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

E. Postemployment Benefits and Compensated Absences

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

F. Impact of Medicare Modernization Act on Post Retirement Benefits

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

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

1. Outstanding shares

The Company has 1,000,000 shares of $5.00 par value common stock authorized and 1,000,000 shares issued and outstanding. The Company has 164,200 shares of $10.00 par value preferred stock authorized and no shares are issued and outstanding.

2. Dividend rate of preferred stock

Not Applicable

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

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

NOTES TO FINANCIAL STATEMENTS

4. Dividend Payments

   The Company did not declare or pay any ordinary or extraordinary dividends during 2008.

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

   The Company has no accumulated earnings which can be paid as dividends in 2009.

6. Restrictions on unassigned funds

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

7. Mutual surplus advances

   The Company had no advances to surplus.

8. Company stock held for special purposes

   The Company does not hold stock for special purposes.

9. Changes in special surplus funds

   Special surplus funds increased surplus by $12,654,151 of retroactive reinsurance adjustments.

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

    Unassigned funds (surplus) was decreased by $7,300,759 of cumulative unrealized capital losses.

11. Surplus notes

    The Company does not have surplus notes.

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

The Company did not have any quasi-reorganizations.

14. Contingencies

A. Contingent commitments

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

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

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

B. Guaranty fund and other assessments

1. The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies as they become known to the Company and if they are material. Other assessments are accrued at the time of assessment, or, in the case of loss based assessments, at the time the losses are incurred. As of December 31, 2008, the Company has accrued a liability for guaranty fund and other assessments of $2,171,773 and a related premium tax benefit asset of $1,480,186. The amounts represent management's best estimates based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

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

NOTES TO FINANCIAL STATEMENTS

As a new participating insurer of the CEA, the CEA assessed the Company and its affiliates an initial capital contribution of $46,500,000 based on the Company's and its affiliates' combined share of the market for CEA residential earthquake insurance. The initial assessment will be paid by the Company and its affiliates in twelve equal monthly installments beginning in December 2008. The assessment is subject to the intercompany pooling agreement described in Note 25 and was expensed by the Company and its affiliated property and casualty insurance companies in 2008 based on the applicable participation percentages. The Company's share of the initial CEA assessment expense was $8,835,000. The first installment payment was made in December 2008 and the remaining installments will be paid in 2009.

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

C. Gain contingencies

Not Applicable

D. Extra Contractual Obligation and Bad Faith Losses

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

	Direct
Claims related ECO and bad faith losses paid during 2008	$ 1,675,000

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

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

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

Per Claim [X] Per Claimant [ ]

E. All Other Contingencies

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

Net realized capital losses include bond impairments of $15,788,534, preferred stock impairments of $4,566,190 and common stock impairments of $10,885,636 for investments that have experienced an other-than-temporary decline in value.

15. Leases

A. Lessee leasing arrangements

1. Description of leases

The Company has various real estate lease and sub-lease agreements that expire through August 31, 2009. Rental expense for these agreements in 2008 and 2007 were $10,343,300 and $10,380,487, respectively. For those leases containing renewal options, the terms are on an average 1-3 year basis. Rental income for sublease agreements in 2008 was approximately $833,014. Current contingent rental income is shown below in item 2.b.

NOTES TO FINANCIAL STATEMENTS

2. Noncancelable leases

a. Future minimum rental commitments for leases

Year	Amount
2009	$ 10,343,300
2010	$ -
2011	$ -
2012	$ -
2013	$ -
Thereafter	$ -
Total	$ 10,343,300

b. Future minimum rental income to be received for sub leases

Year	Amount
2009	$ 563,539
2010	$ 0
2011	$ 0
2012	$ 0
2013	$ 0
Thereafter	$ 0
Total	$563,539

3. Sale leaseback transactions

The Company has a sales leaseback arrangement with the Bank of New York which will expire at August 31, 2009. The expenses for the Company in 2008 and 2007 were $9,443,532 and $9,443,532 respectively. The table below is shown for informational purposes only, the lease payments are included in item 15.2 above.

Year	Amount
2009	$ 10,343,300
2010	$ 0
2011	$ 0
2012	$ 0
2013	$ 0
Thereafter	$ 0
Total	$ 10,343,300

B. Lessor leasing arrangements

Not Applicable

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

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

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

A. Transfers of receivables reported as sales

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

B. Transfers and servicing of financial assets

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

NOTES TO FINANCIAL STATEMENTS

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

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

C. Wash sales

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

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

A. Administrative services only (ASO) plans

Not Applicable

B. Administrative services contract (ASC) plans

In 2008, Safeco Insurance Company of America and its affiliated property and casualty insurance companies agreed to become a participating insurer of the California Earthquake Authority ("CEA"), a publicly-managed, privately-funded organization that provides residential earthquake insurance in California. As a participating insurer of the CEA, Safeco and its affiliates act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the Company for commissions and claims paid on behalf of the CEA. The Company also receives an administrative fee equal to 3% of premium and 9% of claims paid. In 2008, the Company recorded CEA administrative fees of $12,522.

C. Medicare or similarly structured cost based reimbursement contracts

Not Applicable

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

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

20. Other Items

A. Extraordinary items

The Company has no extraordinary items to report.

B. Troubled debt restructuring for debtors

Not Applicable

C. Other disclosures

Assets in the amount of $64,221,000 at December 31, 2008 were on deposit with government authorities or trustees as required by law. There were no assets held at December 31, 2008 that were maintained as compensating balances or pledged as collateral for bank loans and other financing agreements.

In 2007, Safeco Insurance Company of America and General Insurance Company of America made non-revocable, non-refundable contributions to the Safeco Insurance Foundation of highly appreciated marketable equity securities. Expenses for these contributions are subject to the intercompany pooling agreement described in Note 25. Contribution expense allocated to the Company amounted to $11,400,000 in 2007. The Company made no contribution to the Safeco Insurance Foundation in 2008.

NOTES TO FINANCIAL STATEMENTS

As a result of the acquisition by LIH US P&C Corporation, the Company incurred $1,638,000 in stock-based compensation expense in 2008 due to the acceleration of the vesting provisions contained in stock-based compensation plans.

The acquisition by LIH US P&C Corporation, in combination with certain actions taken after the acquisition, resulted in triggering the change in control agreements for certain senior members of management. As a result, the Company expensed $7,418,000 for payments related to the change in control agreements.

In addition to the above expenses, the Company expensed $10,122,000 in 2008 related to relocation, retention, severance, lease terminations, contract buyouts and other expenses as a result of the acquisition.

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

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

	PART A	PART B	PART C	PART D	PART E	PART F1	PART F2
	HO/FARM	P AUTO	C AUTO	WC	CMP	MM-Occ	MM-cm
PRIOR	129	2,423	901	32,043	17,364	0	0
Dec-94	8	23	12	3,603	1,072	0	0
Dec-95	41	17	18	3,987	871	0	0
Dec-96	121	49	29	2,911	1,254	0	0
Dec-97	20	99	38	4,829	1,319	6	0
Dec-98	143	237	218	8,219	1,618	7	0
TOTAL	463	2,848	1,216	55,592	23,498	12	0

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

	PART A	PART B	PART C	PART D	PART E	PART F1	PART F2
	HO/FARM	P AUTO	C AUTO	WC	CMP	MM-Occ	MM-cm
PRIOR	0	0	0	(837)	(2)	0	0
Dec-94	0	0	0	(34)	0	0	0
Dec-95	0	0	0	(254)	0	0	0
Dec-96	0	0	0	(141)	0	0	0
Dec-97	0	0	0	(112)	0	(0)	0
Dec-98	5	4	0	(125)	0	(0)	0
TOTAL	5	4	0	(1,503)	(1)	(0)	0

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

	PART A	PART B	PART C	PART D	PART E	PART F1	PART F2
	HO/FARM	P AUTO	C AUTO	WC	CMP	MM-Occ	MM-cm
PRIOR	129	2,423	901	31,206	17,363	0	0
Dec-94	8	23	12	3,568	1,072	0	0
Dec-95	41	17	18	3,734	871	0	0
Dec-96	121	49	29	2,770	1,254	0	0
Dec-97	20	99	38	4,716	1,319	6	0
Dec-98	147	242	218	8,095	1,618	7	0
TOTAL	467	2,852	1,216	54,089	23,496	12	0

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

	PARTG	PART H1	PART H2	PART I	PART J	PART K	PART L
	SP LIAB	GL-Occ	GL-cm	PROP	A PHYS	SUR	OTH
PRIOR	150	23,009	0	1	69	201	1,431
Dec-94	0	48	24	7	6	1	0
Dec-95	0	154	8	0	14	2	0
Dec-96	0	754	(10)	10	18	62	0
Dec-97	0	598	67	0	22	3	0
Dec-98	27	332	22	206	28	52	0
TOTAL	177	24,894	111	223	158	321	1,431

NOTES TO FINANCIAL STATEMENTS

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	0	(12)	0	0	(1)	(433)	0
Dec-94	0	(0)	0	0	0	(1)	0
Dec-95	0	(0)	0	0	0	(0)	0
Dec-96	0	(0)	0	0	0	(0)	0
Dec-97	0	(0)	0	0	0	(9)	0
Dec-98	0	(0)	(0)	1	10	(39)	0
TOTAL	0	(14)	(0)	1	10	(482)	0

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

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	150	22,997	0	1	69	(232)	1,431
Dec-94	0	48	24	7	6	0	0
Dec-95	0	154	8	0	14	1	0
Dec-96	0	754	(10)	10	18	62	0
Dec-97	0	597	67	0	22	(6)	0
Dec-98	27	331	22	207	38	13	0
TOTAL	178	24,881	111	224	167	(161)	1,431

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

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	38,665	0	2,281	0	0	118,668
Dec-94	0	179	0	0	0	0	4,983
Dec-95	0	0	0	5	0	0	5,117
Dec-96	0	0	0	2	0	0	5,200
Dec-97	0	0	0	2	0	0	7,002
Dec-98	0	0	0	195	0	0	11,305
TOTAL	0	38,844	0	2,485	0	0	152,275

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

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	0	0	0	0	0	(1,284)
Dec-94	0	0	0	0	0	0	(35)
Dec-95	0	0	0	0	0	0	(254)
Dec-96	0	0	0	0	0	0	(141)
Dec-97	0	0	0	0	0	0	(121)
Dec-98	0	0	0	(0)	0	(0)	(144)
TOTAL	0	0	0	(0)	0	(0)	(1,981)

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

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	38,665	0	2,281	0	0	117,383
Dec-94	0	179	0	0	0	0	4,948
Dec-95	0	0	0	5	0	0	4,862
Dec-96	0	0	0	2	0	0	5,059
Dec-97	0	0	0	2	0	0	6,881
Dec-98	0	0	0	195	0	0	11,161
TOTAL	0	38,844	0	2,485	0	0	150,294

D. Uncollectible premiums receivable

At December 31, 2008 and 2007 the Company had admitted assets of $254,003,862 and $270,284,016, respectively in premiums receivable due from policyholders and agents. The Company routinely assesses the collectibility of these receivables. Based on Company experience, the Company estimated the uncollectible premiums receivable and recorded an additional provision in the amount of $2,507,817. At December 31, 2008, the additional provision for uncollectible premiums receivable represents the amount of expected uncollectible premiums in excess of the non-admitted premiums of $5,991,348.

NOTES TO FINANCIAL STATEMENTS

E. Business Interruption Insurance Recoveries

Not Applicable

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. Hybrid Securities

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

CUSIP	Issuer	Description	Book/Adjusted Carry Value
060505DR2	Bank of America	Depository Shares	4,380,000
172967ER8	Citigroup Inc.	Depository Shares	6,300,000
173094AA1	Citigroup Inc.	Trust Preferred	2,425,500
46625HHA1	JP Morgan Chase & Co	Depository Shares	8,300,000
48124G104	JP Morgan	Capital Security	6,125,000
929903EF5	Wachovia Corporation	Perpetual Preferred	3,409,600
94986EAA8	Wells Fargo	Capital Security	6,480,000

H. Subprime Mortgage Related Risk

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

2. Direct exposure through investments in subprime mortgage loans.

   The Company has no mortgage loans.

3. Direct exposure through other investments.

   The Company has subprime exposure through other investments.

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities				
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities	$11,894,981	$11,894,891	$10,910,041	0
e. Equity investment in SCAs				
f. Other assets				
g. Total				

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

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

NOTES TO FINANCIAL STATEMENTS

21. Events Subsequent

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

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

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

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

22. Reinsurance

A. Unsecured Reinsurance Recoverables

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

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

Assets and liabilities related to insurance underwriting are similarly shared.

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

FEIN	NAIC	Reinsurer	Recoverable
AA-9991159	00000	Michigan Catastrophic Claims Association	86,064,690
13-1675535	25364	Swiss Rein. America Corp.	74,135,462
48-0921045	39845	Westport Insurance Corp.	63,681,087
13-2673100	22039	General Reins. Corp.	45,746,343
13-4924125	10227	Munich Reins. America, Inc.	42,803,731
AA-1122000	00000	Lloyd's of London	38,296,210
AA-9991423	00000	MN Workers Comp. Reins. Assoc.	24,783,627
13-1988169	34835	National Reins. Corp.	16,750,913

B. Reinsurance Recoverables in Dispute

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

C. Reinsurance Assumed and Ceded

1)		Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
		(1) Premium Reserve	(2) Commission Equity	(3) Premium Reserve	(4) Commission Equity	(5) Premium Reserve	(6) Commission Equity
a.	Affiliates	$383,719,025	$55,613,913	$292,143,319	$44,837,401	$91,575,706	$10,776,512
b.	All Other	1,546,265	703,263			1,546,265	703,263
c.	TOTAL	$385,265,290	$56,317,176	$292,143,319	$44,837,401	$93,121,971	$11,479,775

d. Direct Unearned Premium Reserve: $290,598,451

NOTES TO FINANCIAL STATEMENTS

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

		Reinsurance			
		(1) Direct	(2) Assumed	(3) Ceded	(4) Net
a.	Contingent Commission	$ 8,780,223	$ -	$ -	$ 8,780,223
b.	Sliding Scale Adjustments	-	-	-	-
c.	Other Profit Commission Arrangements	-	-	-	-
d.	TOTAL	$ 8,780,223	$ -	$ -	$ 8,780,223

3) The Company does not have protected cells.

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

	Assumed	Ceded
A. Reserves Transferred:		
1. Initial Reserves (Assumed) or Ceded	$ -	$ 12,031,656
2. Adjustments – Prior Year(s)	-	-
3. Adjustments – Current Year	-	-
4. Current Total	$ -	$ 12,031,656
B. Consideration Received or (Paid):		
1. Initial Consideration	$ -	$ -
2. Adjustments – Prior Year(s)	-	-
3. Adjustments – Current Year	-	-
4. Current Total	$ -	$ -
C. Paid Losses (Reimbursed) or Recovered		
1. Prior Year(s)	$ -	$ -
2. Current Year	-	622,495
3. Current Total	$ -	$ 622,495
D. Surplus from Retroactive Reinsurance:		
1. Initial Surplus (Loss) or Gain	$ -	$ (12,031,656)
2. Adjustments – Prior Year(s)	-	-
3. Adjustments – Current Year	-	(622,495)
4. Current Year Surplus	-	$ (12,654,151)
5. Cumulative Total Transferred to Unassigned Funds	$ -	$ -

E. Cedents and Reinsurers Involved in Transactions Included in Section A Above

Ceded Company	Amount
Westport Insurance Company	$ 12,031,656
Total	$ 12,031,656

F. Additional Information Regarding Ceded Retroactive Reinsurance Balances

1. Balance with Authorized Reinsurers:

Company	Recoverables on Loss and LAE Payments	Recoverables More than 90 Days Overdue	Related Collateral
Westport Insurance Company	$ 517,537	$ 97,965	$ -

G. Reinsurance Accounted for as a Deposit

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

NOTES TO FINANCIAL STATEMENTS

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method used to estimate

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

B. Method used to record

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

C. Amount and percent of net retrospective premiums

Net premiums written for 2008 on retrospective workers compensation policies was $338,345 or 1.4% of total workers compensation net premiums written.

D. Calculation of nonadmitted accrued retrospective premiums

a.	Total accrued retro premium	$ 492,980
b.	Unsecured amount	492,980
c.	Less: Nonadmitted amount (10%)	49,298
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount: a - c - d	$ 443,682

24. Change in Incurred Losses and Loss Adjustment Expenses

In 2008, we reduced our estimates for prior years' loss and LAE reserves by $27.1 million. This total decrease includes loss and defense and cost containment expenses changes as follows:

- $10.8 million reduction in surety reserves reflecting lower-than-expected number of claims.
- $4.1 million reduction in other liability - occurrence driven primarily by favorable development of $3.2 million due to lower-than-expected claim number in construction defect.
- $11.1 million reduction in private passenger auto liability reserves, reflecting decreases in severity estimates primarily in accident years 2005 through 2007.
- $5.6 million reduction in commercial multiple peril reserves. This includes a reduction in construction defect reserves of $2.1 million reflecting lower-than-expected number of claims. The remaining decrease was due to lower-than-expected claim severity in property and liability.
- $2.7 million reduction in other liability – claims-made due to a decrease due to lower-than-expected claim severity.
- $4.1 million increase in commercial auto/truck liability reserves reflecting increases in severity estimates for prior accident years.

The remaining $3.1 million increase was in a number of lines including adjusting and other payments. This increase is due to emerging claim trends and related loss data.

25. Intercompany Pooling Arrangements

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

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

NOTES TO FINANCIAL STATEMENTS

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

Effective January 1, 2009, the existing Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. The Company's percentage in the PIC pool is 7.60%.

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

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

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

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

D. The Company and Safeco Insurance Company of America are the only affiliates that participate in reinsurance agreements whereby risk is ceded to unaffiliated reinsurers.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

26. Structured Settlements

A. Reserves Released due to Purchase of Annuities

The Company has purchased annuities from life insurers under which the claimants are payees. The Company has a contingent liability of $2,238,114 should the issuers of these annuities fail to perform under the terms of the annuities. The contingent liability is equivalent to the reserves set by the life insurer from whom the annuity was purchased. The Company has released all reserves on closed claims where structured settlement was purchased.

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

Not applicable.

27. Health Care Receivables

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

The Company does not have pharmacy rebates.

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

The Company does not have risk sharing receivables.

28. Participating Accident and Health Policies

The Company does not have participating accident and health policies.

29. Premium Deficiency Reserves

Not Applicable

30. High Deductibles

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

At December 31, 2008, the liabilities for workers' compensation unpaid losses include $128,955,504 of liabilities carried at a discounted value of $119,645,580 representing a discount of $9,309,924.

A. Tabular Discounts

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	(1) Case	(2) IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers' Compensation		$9,309,924
5. Commercial Multiple Peril		
6. Medical Malpractice - occurrence		
7. Medical Malpractice - claims-made		
8. Special Liability		
9. Other Liability – occurrence		
10. Other Liability - claims-made		
11. Special Property		
12. Auto Physical Damage		
13. Fidelity, Surety		
14. Other (including Credit, Accident & Health)		
15. International		
16. Reinsurance Nonproportional Assumed Property		
17. Reinsurance Nonproportional Assumed Liability		
18. Reinsurance Nonproportional Assumed Financial Lines		
19. Products Liability – occurrence		
20. Products Liability - claims-made		
21. Financial Guaranty/Mortgage Guaranty		
22. Total		

B. Non-tabular discounts

Not Applicable

C. Changes in discount assumptions

Not Applicable

32. Asbestos and Environmental Reserves

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

ASBESTOS

A. (1) Direct

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$7,152,097	$12,038,737	$16,328,578	$20,237,200	$20,439,872
b.	Incurred Loss and ALAE	6,410,108	5,537,740	5,481,758	2,569,201	4,141,639
c.	Calendar payments for Loss and ALAE	1,523,468	1,247,899	1,573,136	2,366,529	2,772,816
d.	Ending Reserves:	$12,038,737	$16,328,578	$20,237,200	$20,439,872	$21,808,695

(2) Assumed

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$19,836,693	$20,245,354	$19,039,324	$18,954,734	$22,833,820
b.	Incurred Loss and ALAE	1,676,083	(116,660)	1,074,200	5,771,221	(1,081,522)
c.	Calendar payments for Loss and ALAE	1,267,422	1,089,370	1,158,790	1,892,135	2,432,254
d.	Ending Reserves:	$20,245,354	$19,039,324	$18,954,734	$22,833,820	$19,320,044

(3) Net of Reinsurance

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$23,922,838	$26,945,354	$30,198,261	$32,450,731	$35,807,091
b.	Incurred Loss and ALAE	5,627,992	5,436,275	4,867,020	6,811,746	1,125,333
c.	Calendar payments for Loss and ALAE	2,605,476	2,183,368	2,614,550	3,455,386	3,094,168
d.	Ending Reserves:	$26,945,354	$30,198,261	$32,450,731	$35,807,091	$33,838,256

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

(1) Direct	$10,368,068
(2) Assumed	$4,889,973
(3) Net of Reinsurance	$12,821,529

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

(1) Direct	$7,975,031
(2) Assumed	$673
(3) Net of Reinsurance	$6,428,101

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

ENVIRONMENTAL

D. (1) Direct

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$ 20,247,971	$ 21,471,179	$ 24,462,816	$ 23,393,984	$ 19,077,075
b.	Incurred Loss and ALAE	3,668,233	5,700,784	1,223,246	53,828	214,213
c.	Calendar payments for Loss and ALAE	2,445,025	2,709,147	2,292,078	4,370,737	2,575,432
d.	Ending Reserves:	$ 21,471,179	$ 24,462,816	$ 23,393,984	$ 19,077,075	$ 16,715,856

(2) Assumed

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$ 8,988,758	$ 9,537,080	$ 6,320,572	$ 5,694,353	$ 5,585,316
b.	Incurred Loss and ALAE	732,136	(2,754,285)	119,874	48,976	142,199
c.	Calendar payments for Loss and ALAE	183,814	462,223	746,093	158,013	249,695
d.	Ending Reserves:	$ 9,537,080	$ 6,320,572	$ 5,694,353	$ 5,585,316	$ 5,477,820

(3) Net of Reinsurance

		(1) 2004	(2) 2005	(3) 2006	(4) 2007	(5) 2008
a.	Beginning reserves	$ 27,750,845	$ 29,383,877	$ 28,290,109	$ 25,534,372	$ 22,149,936
b.	Incurred Loss and ALAE	3,788,734	1,387,450	129,364	208,367	241,076
c.	Calendar payments for Loss and ALAE	2,155,702	2,481,218	2,885,101	3,592,803	1,759,122
d.	Ending Reserves:	$ 29,383,877	$ 28,290,109	$ 25,534,372	$ 22,149,936	$ 20,631,890

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

(1) Direct	$ 10,491,463
(2) Assumed	$ 3,523,988
(3) Net of Reinsurance	$ 13,648,600

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

(1) Direct	$ 7,743,010
(2) Assumed	$ -
(3) Net of Reinsurance	$ 7,551,212

NOTES TO FINANCIAL STATEMENTS

33. Subscriber Savings Accounts

Not Applicable

34. Multiple Peril Crop Insurance

Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] NA [ ]

1.3 State Regulating? Indiana

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2005

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/18/2007

3.4 By what department or departments? Indiana

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

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

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

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

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

6.2 If yes, give full information

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

7.2 If yes,

7.21 State the percentage of foreign control

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

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

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

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

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

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, 999 Third Ave Suite 3500, Seattle, WA 98104

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? ....
Lewis V. Augustine, Vice President & Chief Actuary. Safeco, Safeco Plaza, Seattle, WA 98185

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

11.11 Name of real estate holding company .... Multiple

11.12 Number of parcels involved 28

11.13 Total book/adjusted carrying value .... $ 1,673,185

11.2 If yes, provide explanation
Partnerships that generate historic tax credits and low income housing tax credits, and own real estate.

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

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

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

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? .... Yes [ ] No [ ] NA [ ]

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

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

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

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

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

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

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

BOARD OF DIRECTORS

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

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

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

GENERAL INTERROGATORIES

FINANCIAL

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

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers $
- 18.12 To stockholders not officers $
- 18.13 Trustees, supreme or grand (Fraternal only) $

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

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

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

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

20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment $ 0
- 20.22 Amount paid as expenses $ 0
- 20.23 Other amounts paid $ 0

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

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

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

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

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

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

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

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

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

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

23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements $
- 23.22 Subject to reverse repurchase agreements $
- 23.23 Subject to dollar repurchase agreements $
- 23.24 Subject to reverse dollar repurchase agreements $
- 23.25 Pledged as collateral $
- 23.26 Placed under option agreements $
- 23.27 Letter stock or securities restricted as to sale $
- 23.28 On deposit with state or other regulatory body $ 64,221,088
- 23.29 Other $

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year. $

GENERAL INTERROGATORIES

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

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

1 Name of Custodian(s)	2 Custodian's Address
The Bank of New York Mellon	700 S Flower St, Ste 200, Los Angeles, CA 90017

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	2 Address
107105	BlackRock Financial Management	40 East 52nd Street, New York, NY 10022
None	Liberty Mutual Insurance Company	175 Berkeley Street, Boston, MA 02116
None	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116

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

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 TOTAL		0

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

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

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds	1,615,080,121	1,518,449,633	(96,630,488)
28.2 Preferred stocks	48,220,153	48,095,203	(124,950)
28.3 Totals	1,663,300,274	1,566,544,836	(96,755,438)

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

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

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 5,800,820

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

1 Name	2 Amount Paid

31.1 Amount of payments for legal expenses, if any? $ 1,607,739

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

1 Name	2 Amount Paid
Skadden Arps Slate Meagher & Flom LLP	975,816

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 197,465

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

1 Name	2 Amount Paid
American Insurance Association	165,568

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0

1.62 Total incurred claims $ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $ 0

1.65 Total incurred claims $ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0

1.72 Total incurred claims $ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $ 0

1.75 Total incurred claims $ 0

1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 1,050,646,083	$ 1,062,478,192
2.3	Premium Ratio (2.1/2.2)	0.000	0.000
2.4	Reserve Numerator	$ 2,856,531	$ 3,149,774
2.5	Reserve Denominator	$ 958,910,823	$ 1,368,203,030
2.6	Reserve Ratio (2.4/2.5)	0.003	0.002

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

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

3.21 Participating policies $ 0

3.22 Non-participating policies $ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]

4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %

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

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [ ]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] NA [X]

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

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

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

5.5 If yes, give full information

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

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

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

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

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

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

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

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty–five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

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

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

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

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

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

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

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

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 $ 915,673

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 33,331

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? $ 13,939

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [X] NA [ ]

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

12.41 From %

12.42 To %

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

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

12.61 Letters of Credit $

12.62 Collateral and other funds $

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

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

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

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

14.5 If answer to 14.4 is no, please explain:

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

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

Incurred but not reported losses on contracts not in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$
17.12	Unfunded portion of Interrogatory 17.11	$
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$
17.14	Case reserves portion of Interrogatory 17.11	$
17.15	Incurred but not reported portion of Interrogatory 17.11	$
17.16	Unearned premium portion of Interrogatory 17.11	$
17.17	Contingent commission portion of Interrogatory 17.11	$

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$
17.19	Unfunded portion of Interrogatory 17.18	$
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$
17.21	Case reserves portion of Interrogatory 17.18	$
17.22	Incurred but not reported portion of Interrogatory 17.18	$
17.23	Unearned premium portion of Interrogatory 17.18	$
17.24	Contingent commission portion of Interrogatory 17.18	$

FIVE-YEAR HISTORICAL DATA

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

	1 2008	2 2007	3 2006	4 2005	5 2004
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	756,676,815	832,259,627	815,185,171	827,945,450	831,179,351
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	330,958,933	349,341,464	359,814,525	388,947,776	391,409,739
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	424,824,951	466,939,978	474,352,487	510,924,888	529,831,793
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	95,486,611	84,142,839	70,999,275	63,188,639	52,267,045
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	23,864	1,785	1,039	25,792	61,471
6. Total (Line 35)	1,607,971,174	1,732,685,693	1,720,352,498	1,791,032,545	1,804,749,400
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)	422,887,814	459,247,735	461,534,722	474,929,504	454,442,213
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	256,569,758	266,762,327	274,896,165	300,756,865	295,080,394
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	249,642,578	274,547,409	267,905,878	275,776,156	284,571,638
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	85,678,821	74,109,816	62,284,280	53,190,026	44,306,244
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,028	210	266	2,720	8,936
12. Total (Line 35)	1,014,780,999	1,074,667,496	1,066,621,310	1,104,655,271	1,078,409,425
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	27,986,377	69,007,394	123,535,997	100,808,121	86,647,572
14. Net investment gain (loss) (Line 11)	78,270,986	98,315,996	82,520,014	85,152,624	144,733,356
15. Total other income (Line 15)	1,707,098	3,373,301	(47,220)	1,638,507	2,401,309
16. Dividends to policyholders (Line 17)	1,262,647	901,469	1,261,600	541,424	406,889
17. Federal and foreign income taxes incurred (Line 19)	10,781,041	24,917,593	39,896,913	23,371,152	41,280,318
18. Net income (Line 20)	95,920,773	144,877,629	164,850,278	163,686,676	192,095,030
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	2,077,124,323	2,069,992,619	2,337,821,031	2,339,955,871	2,267,842,270
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	94,554,501	129,452,322	116,919,338	99,566,693	23,795,526
20.2 Deferred and not yet due (Line 13.2)	159,005,678	140,444,602	156,186,861	181,902,683	187,329,962
20.3 Accrued retrospective premiums (Line 13.3)	443,682	387,092	458,512	455,701	705,291
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,535,875,738	1,557,928,351	1,567,111,446	1,567,181,129	1,466,343,461
22. Losses (Page 3, Line 1)	736,682,283	725,883,465	716,986,015	748,744,702	743,260,660
23. Loss adjustment expenses (Page 3, Line 3)	171,729,286	172,824,567	183,061,555	184,136,732	172,380,770
24. Unearned premiums (Page 3, Line 9)	383,835,113	419,458,971	406,994,912	409,426,865	409,075,525
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	541,248,585	512,064,268	770,709,585	772,774,742	801,498,809
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	100,698,885	135,153,701	207,178,441	122,627,686	254,299,705
Risk-Based Capital Analysis					
28. Total adjusted capital	541,248,585	512,064,268	770,709,585	772,774,742	801,498,809
29. Authorized control level risk-based capital	89,719,169	96,629,983	94,713,491	93,804,492	90,719,020
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	85.6	84.7	85.0	87.9	87.8
31. Stocks (Lines 2.1 & 2.2)	2.9	14.0	14.8	11.4	11.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.4	0.4
34. Cash, cash equivalents and short-term investments (Line 5)	11.2	1.0	(0.1)	0.0	0.0
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.3	0.3	0.3	0.3	0.3
37. Receivables for securities (Line 8)	0.0	0.0	0.0	0.0	0.1
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	0	0	0	0	0
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
44. Affiliated mortgage loans on real estate	0	0	0	0	0
45. All other affiliated	3,091,034	2,970,000	2,856,000	2,740,000	2,650,000
46. Total of above Lines 40 to 45	3,091,034	2,970,000	2,856,000	2,740,000	2,650,000
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	0.6	0.6	0.4	0.4	0.3

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)	(48,105,267)	(8,672,228)	20,724,062	(6,171,817)	(9,438,673)
49. Dividends to stockholders (Line 35)	0	(370,000,000)	(160,000,000)	(180,000,000)	(30,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	29,184,316	(258,645,317)	(2,065,157)	(28,724,067)	171,503,232
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)	411,035,813	451,582,349	408,403,953	412,584,998	399,316,721
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	185,375,561	186,054,011	188,544,292	196,822,069	180,444,870
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	257,160,840	219,661,566	221,353,038	218,049,052	216,792,357
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,870,858	3,405,316	8,045,576	16,702,107	10,157,030
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	26,188,468	16,898,793	8,103,817	12,774,534	11,693,945
56. Total (Line 35)	886,631,540	877,602,036	834,450,675	856,932,759	818,404,924
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)	242,649,930	277,946,310	253,214,547	250,319,622	234,587,215
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	145,919,324	147,952,017	154,884,554	158,021,921	140,943,288
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	166,239,669	127,590,540	121,686,892	119,615,674	125,930,102
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,335,790	(595,158)	4,948,196	13,020,210	4,632,496
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	4,014,223	2,637,538	(95,786)	2,012,228	1,763,775
62. Total (Line 35)	563,158,936	555,531,246	534,638,403	542,989,655	507,856,876
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	55.5	53.1	47.1	49.7	51.0
65. Loss expenses incurred (Line 3)	11.5	9.7	11.4	12.7	12.2
66. Other underwriting expenses incurred (Line 4)	30.3	30.7	30.0	28.6	28.5
67. Net underwriting gain (loss) (Line 8)	2.7	6.5	11.6	9.1	8.2
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.2	30.0	30.0	28.4	27.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	67.0	62.9	58.5	62.3	63.2
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	187.5	209.9	138.4	142.9	134.5
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)	(29,593)	(27,915)	(26,502)	(19,415)	(12,975)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(5.8)	(3.6)	(3.4)	(2.4)	(2.1)
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)	(42,464)	(58,544)	(24,282)	(24,684)	29,362
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(5.5)	(7.6)	(3.0)	(3.9)	6.3

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 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss and Loss Expense Payments: Loss Payments 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported - Direct and Assumed
1. Prior	XXX	XXX	XXX	22,249	9,325	5,271	2,355	1,448	0	110	17,288	XXX
2. 1999	862,841	31,235	831,607	579,039	9,775	37,885	199	68,578	0	29,858	675,529	XXX
3. 2000	895,744	30,973	864,771	607,462	9,048	36,903	1,033	68,260	0	33,798	702,544	XXX
4. 2001	878,605	28,781	849,824	563,190	11,322	38,912	1,614	73,016	0	29,920	662,183	XXX
5. 2002	882,679	23,635	859,044	472,565	6,294	34,953	1,177	75,338	0	32,783	575,384	XXX
6. 2003	958,720	27,387	931,333	462,817	5,121	29,306	548	78,881	0	31,917	565,335	XXX
7. 2004	1,076,089	25,569	1,050,519	520,821	4,603	28,502	332	80,814	0	43,945	625,202	XXX
8. 2005	1,129,574	24,957	1,104,617	509,735	6,893	24,338	567	81,299	0	39,600	607,912	XXX
9. 2006	1,112,345	43,593	1,068,751	467,990	5,382	15,448	1,865	76,746	0	35,701	552,937	XXX
10. 2007	1,133,322	70,843	1,062,478	436,152	10,826	9,536	1,560	72,938	0	35,274	506,240	XXX
11. 2008	1,096,222	45,575	1,050,646	332,437	5,014	3,588	620	68,502	0	19,624	398,894	XXX
12. Totals	XXX	XXX	XXX	4,974,459	83,602	264,641	11,871	745,822	0	332,529	5,889,449	XXX

	Losses Unpaid: Case Basis 13 Direct and Assumed	14 Ceded	Bulk + IBNR 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis 17 Direct and Assumed	18 Ceded	Bulk + IBNR 19 Direct and Assumed	20 Ceded	Adjusting and Other Unpaid 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
1.	113,212	36,612	54,958	12,897	8,723	1,108	13,885	849	10,982	0	1,981	150,294	XXX
2.	8,551	894	5,783	927	668	0	1,447	(13)	1,221	0	197	15,862	XXX
3.	10,907	1,805	5,775	1,223	601	4	2,778	490	1,362	0	549	17,901	XXX
4.	11,914	1,575	4,875	1,008	838	64	2,565	3	1,262	0	583	18,803	XXX
5.	10,314	576	4,034	403	1,060	15	2,421	8	798	0	299	17,624	XXX
6.	8,822	565	3,975	227	862	6	2,922	(1)	770	0	872	16,554	XXX
7.	12,209	2,002	5,213	7	1,876	1	4,173	(3)	858	0	6,353	22,322	XXX
8.	30,052	379	7,293	(317)	3,167	4	6,578	(4)	1,179	0	2,744	48,207	XXX
9.	62,848	1,464	13,145	268	4,938	4	11,777	7	1,517	0	4,429	92,482	XXX
10.	107,342	1,079	40,450	1,082	4,443	0	22,717	202	3,481	0	14,597	176,070	XXX
11.	163,856	2,592	120,583	2,162	2,473	8	33,832	201	16,509	0	33,559	332,290	XXX
12. Totals	540,026	49,541	266,084	19,887	29,649	1,215	105,094	1,738	39,940	0	66,162	908,412	XXX

	Total Losses and Loss Expenses Incurred 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned) 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount 35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	118,662	31,632
2.	703,173	11,782	691,391	81.5	37.7	83.1	0	0		12,514	3,348
3.	734,048	13,603	720,445	81.9	43.9	83.3	0	0		13,654	4,247
4.	696,573	15,587	680,987	79.3	54.2	80.1	0	0		14,206	4,597
5.	601,482	8,473	593,009	68.1	35.8	69.0	0	0		13,369	4,255
6.	588,355	6,467	581,889	61.4	23.6	62.5	0	0		12,005	4,549
7.	654,467	6,942	647,524	60.8	27.2	61.6	0	0		15,413	6,910
8.	663,641	7,522	656,119	58.8	30.1	59.4	0	0		37,283	10,924
9.	654,409	8,990	645,419	58.8	20.6	60.4	0	0		74,262	18,221
10.	697,059	14,749	682,310	61.5	20.8	64.2	0	0		145,631	30,439
11.	741,780	10,596	731,184	67.7	23.2	69.6	0	0		279,685	52,606
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	736,682	171,729

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

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 One Year	12 Two Year
1. Prior	492,246	496,012	521,040	525,516	546,256	548,672	560,891	573,200	573,873	578,099	4,227	4,900
2. 1999	568,782	593,428	610,002	613,158	623,376	621,584	622,080	623,614	621,662	621,593	(70)	(2,021)
3. 2000	XXX	620,066	642,926	649,564	657,890	656,103	656,298	654,071	651,993	650,823	(1,169)	(3,247)
4. 2001	XXX	XXX	610,968	610,058	608,800	611,259	612,597	610,181	607,691	606,708	(983)	(3,473)
5. 2002	XXX	XXX	XXX	542,746	539,899	532,785	520,643	518,133	516,868	516,873	5	(1,260)
6. 2003	XXX	XXX	XXX	XXX	529,932	522,774	508,960	505,275	504,408	502,237	(2,171)	(3,038)
7. 2004	XXX	XXX	XXX	XXX	XXX	588,873	581,166	573,296	568,239	565,852	(2,387)	(7,444)
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	616,445	594,810	575,804	573,641	(2,163)	(21,169)
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	572,867	576,994	567,157	(9,838)	(5,711)
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	620,934	605,890	(15,044)	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	646,172	XXX	XXX
										12. Totals	(29,593)	(42,464)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11	12
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	141,175	227,527	288,015	327,875	354,592	375,867	395,722	413,636	429,477	XXX	XXX
2. 1999	314,700	445,247	510,010	549,909	574,268	587,014	595,971	601,291	604,600	606,951	XXX	XXX
3. 2000	XXX	339,879	479,595	545,636	586,222	608,480	622,435	627,496	631,855	634,283	XXX	XXX
4. 2001	XXX	XXX	320,475	451,356	512,571	547,616	568,942	579,575	585,288	589,167	XXX	XXX
5. 2002	XXX	XXX	XXX	272,899	388,221	438,443	470,166	485,161	494,725	500,047	XXX	XXX
6. 2003	XXX	XXX	XXX	XXX	271,045	378,627	430,673	460,596	479,209	486,454	XXX	XXX
7. 2004	XXX	XXX	XXX	XXX	XXX	294,806	431,542	493,867	527,874	544,388	XXX	XXX
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	298,891	429,238	490,277	526,613	XXX	XXX
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	296,044	427,561	476,191	XXX	XXX
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	305,009	433,301	XXX	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	330,391	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008
1. Prior	208,832	163,081	136,184	111,402	111,897	84,333	81,668	77,096	66,715	64,407
2. 1999	94,762	38,406	20,731	12,856	11,498	10,205	8,693	8,785	6,720	6,316
3. 2000	XXX	109,326	40,958	19,250	16,672	12,403	12,339	10,413	8,780	6,840
4. 2001	XXX	XXX	124,653	42,881	21,864	14,810	13,712	11,246	7,712	6,428
5. 2002	XXX	XXX	XXX	131,566	59,220	33,509	16,079	10,066	7,391	6,043
6. 2003	XXX	XXX	XXX	XXX	129,662	53,792	21,989	13,630	8,958	6,670
7. 2004	XXX	XXX	XXX	XXX	XXX	145,560	50,555	26,637	13,834	9,382
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	158,700	63,148	22,453	14,192
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	126,138	45,260	24,648
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	133,171	61,883
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	152,052

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
States, etc.	Active Status	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	7,860,665	8,644,823	0	3,354,186	1,559,531	14,802,715	31,067	
2. Alaska AK	L	607,472	791,039	0	123,743	142,443	201,664	2,401	
3. Arizona AZ	L	5,480,520	6,080,495	0	2,667,989	2,446,215	6,212,032	21,660	
4. Arkansas AR	L	2,922,851	3,520,792	0	1,598,788	939,179	5,437,031	11,552	
5. California CA	L	89,615,917	94,815,920	0	41,950,968	41,397,459	114,320,604	354,178	
6. Colorado CO	L	11,742,120	12,626,179	0	7,303,396	4,963,747	13,775,600	46,407	
7. Connecticut CT	L	10,528,535	11,288,002	0	5,462,535	3,191,300	18,741,661	41,611	
8. Delaware DE	L	60,433	77,976	0	12,146	(1,500)	40,511	239	
9. District of Columbia DC	L	455,491	508,050	0	74,497	501,324	558,443	1,800	
10. Florida FL	L	51,064,402	57,696,703	(337,641)	24,326,473	25,055,848	46,811,381	201,815	
11. Georgia GA	L	13,972,458	16,107,606	0	9,204,692	9,019,648	16,302,372	55,222	
12. Hawaii HI	L	2,092	(238,900)	0	0	(39)	63	8	
13. Idaho ID	L	10,809,360	10,876,435	0	2,619,832	12,616,208	20,757,213	42,720	
14. Illinois IL	L	22,362,486	23,885,703	0	15,525,063	13,632,948	56,440,807	88,380	
15. Indiana IN	L	5,072,220	(1,083,581)	0	4,921,396	2,157,569	29,066,558	20,046	
16. Iowa IA	L	1,444,023	1,444,174	0	530,712	86,884	3,019,188	5,707	
17. Kansas KS	L	4,007,976	4,199,438	0	2,888,315	2,162,103	12,731,078	15,840	
18. Kentucky KY	L	3,680,600	3,831,916	0	1,954,215	527,432	11,984,194	14,546	
19. Louisiana LA	L	10,828,560	10,464,811	0	3,500,879	8,183,615	9,497,793	42,796	
20. Maine ME	L	97,519	99,389	0	19,512	73,398	78,418	385	
21. Maryland MD	L	3,607,207	4,259,712	0	2,467,360	1,979,670	4,547,998	14,256	
22. Massachusetts MA	L	2,744,349	3,177,526	0	579,522	131,778	3,247,091	10,846	
23. Michigan MI	L	9,779,746	11,419,261	0	11,305,489	3,152,916	55,428,834	38,651	
24. Minnesota MN	L	5,965,761	6,483,627	0	3,794,224	3,336,189	29,820,876	23,578	
25. Mississippi MS	L	4,718,430	4,624,274	0	2,227,326	1,101,072	13,840,136	18,648	
26. Missouri MO	L	12,300,411	13,536,626	0	8,649,939	3,811,236	32,913,832	48,613	
27. Montana MT	L	14,482,514	14,053,882	0	4,718,935	5,108,549	10,424,725	57,237	
28. Nebraska NE	L	1,028,290	1,157,583	0	718,918	596,387	1,595,102	4,064	
29. Nevada NV	L	4,861,935	5,342,137	0	2,266,155	3,726,171	4,683,924	19,215	
30. New Hampshire NH	L	1,143,802	1,293,294	0	845,109	1,620,802	4,319,156	4,521	
31. New Jersey NJ	L	14,432,153	15,540,233	0	5,019,264	9,811,439	16,210,143	57,038	
32. New Mexico NM	L	3,830,360	4,183,587	0	2,223,341	1,633,600	5,294,395	15,138	
33. New York NY	L	35,500,101	37,232,914	0	19,570,637	14,026,876	57,938,667	140,303	
34. North Carolina NC	L	3,495,620	3,949,047	0	1,496,796	2,728,425	5,091,882	13,815	
35. North Dakota ND	L	1,019,198	883,375	0	456,108	434,413	593,157	4,028	
36. Ohio OH	L	5,127,551	6,098,651	0	2,442,646	1,682,937	17,053,840	20,265	
37. Oklahoma OK	L	5,784,571	5,742,840	0	2,944,298	4,080,654	9,255,641	22,862	
38. Oregon OR	L	36,370,080	37,595,814	247,190	18,825,119	16,144,965	52,440,344	143,741	
39. Pennsylvania PA	L	7,050,739	7,859,083	0	5,413,081	5,688,504	20,568,216	27,866	
40. Rhode Island RI	L	465,712	520,681	0	320,865	591,145	969,965	1,841	
41. South Carolina SC	L	4,481,568	4,975,013	0	3,143,588	1,568,696	6,636,606	17,712	
42. South Dakota SD	L	1,830,290	1,921,857	0	869,229	(109,631)	9,466,309	7,234	
43. Tennessee TN	L	6,198,090	6,279,196	0	2,857,615	1,267,114	13,583,630	24,496	
44. Texas TX	L	55,500,280	57,801,950	128,591	23,448,988	37,814,636	48,332,847	638,291	
45. Utah UT	L	7,046,401	8,048,256	0	2,806,345	2,874,309	6,636,909	27,849	
46. Vermont VT	L	393,684	456,897	0	524,378	366,349	481,378	1,556	
47. Virginia VA	L	4,914,589	5,747,016	0	2,047,846	3,140,989	5,347,788	19,423	
48. Washington WA	L	73,368,320	75,574,195	0	29,148,600	32,617,847	104,649,401	289,964	
49. West Virginia WV	L	1,948,740	2,155,073	0	1,222,110	1,203,412	2,713,817	7,702	
50. Wisconsin WI	L	1,135,578	1,318,679	0	485,044	(5,990)	4,413,436	4,488	
51. Wyoming WY	L	6,274,044	6,414,766	0	2,725,357	3,660,148	5,242,402	24,796	
52. American Samoa AS	N	0	(198,676)	0	0	0	0	0	
53. Guam GU	N	0	0	0	0	0	0	0	
54. Puerto Rico PR	N	0	0	0	0	0	0	0	
55. U.S. Virgin Islands VI	N	0	0	0	0	0	0	0	
56. Northern Mariana Islands MP	N	0	0	0	0	0	0	0	
57. Canada CN	N	0	64,418	0	0	0	0	0	
58. Aggregate other alien OT	XXX	0	0	0	0	0	0	0	0
59. Totals	(a) 51	589,415,816	621,149,756	38,140	293,603,565	294,440,920	934,521,777	2,748,417	0
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

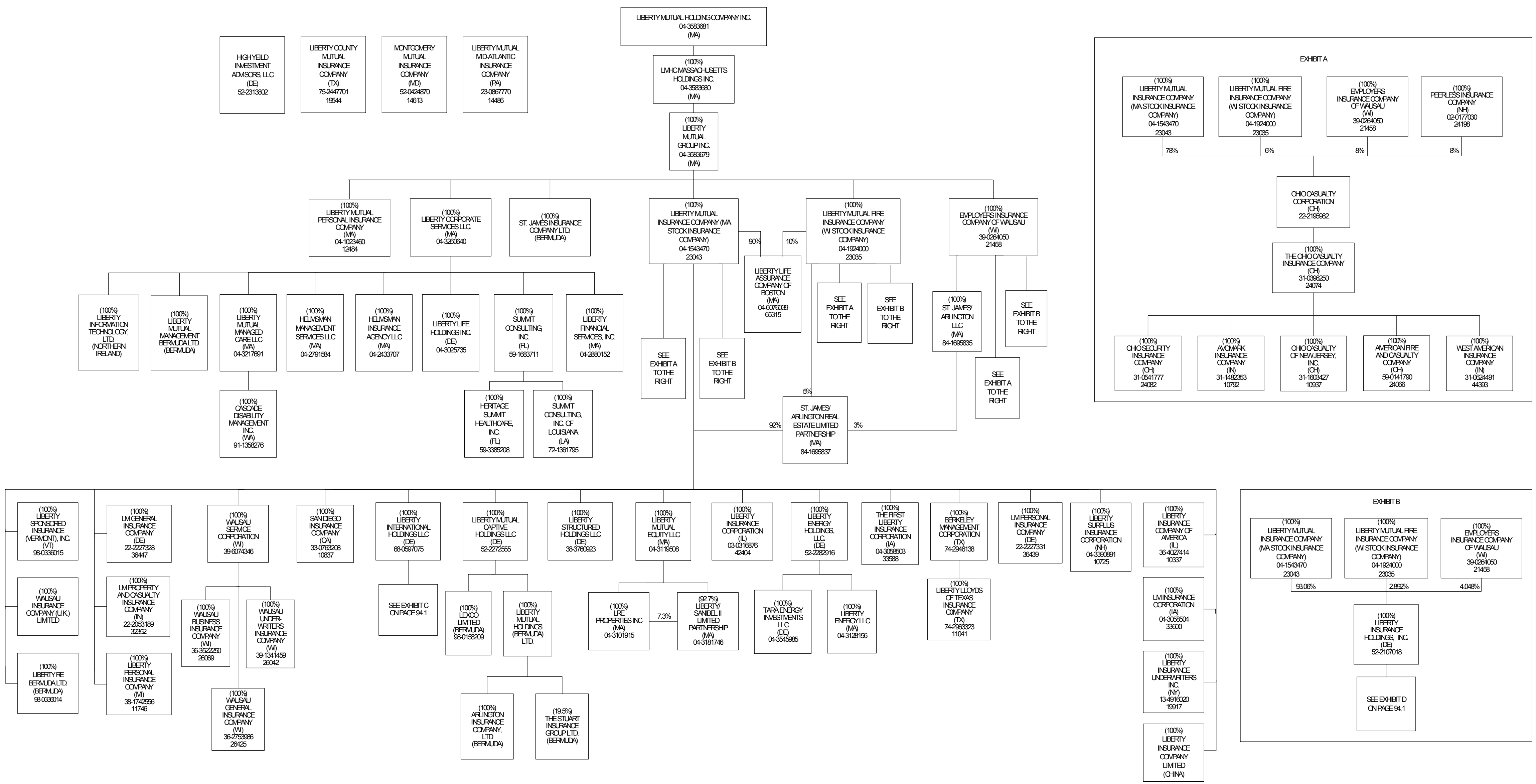
(a) Insert the number of L responses except for Canada and Other Alien.

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

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

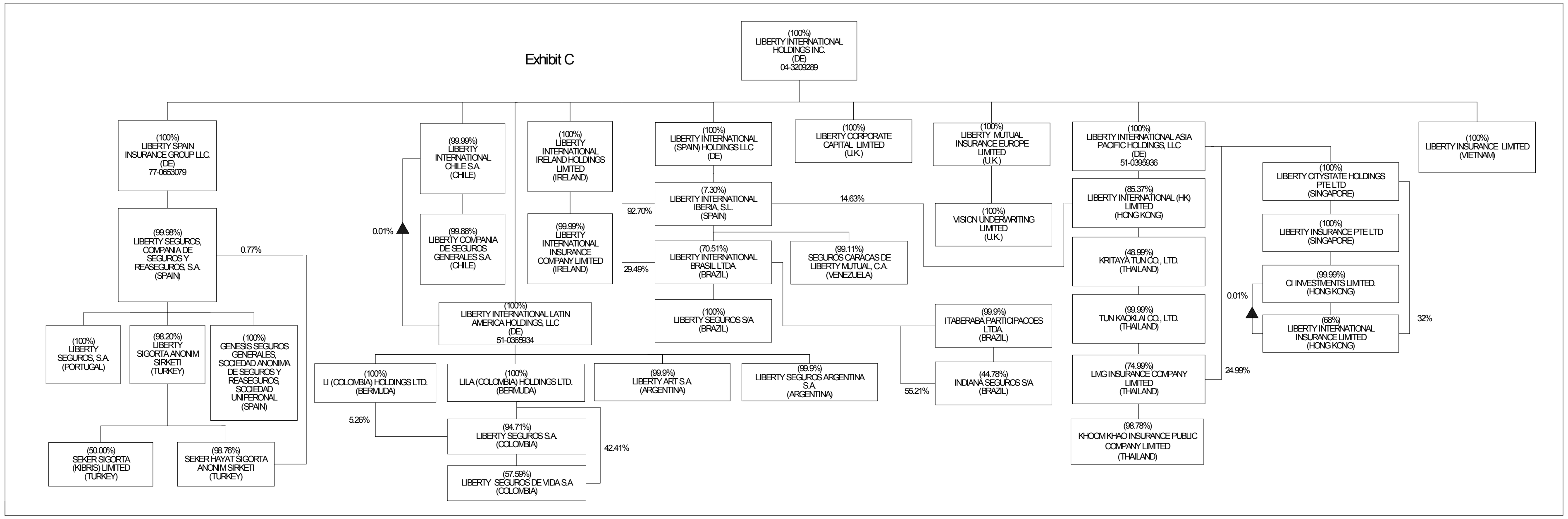
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

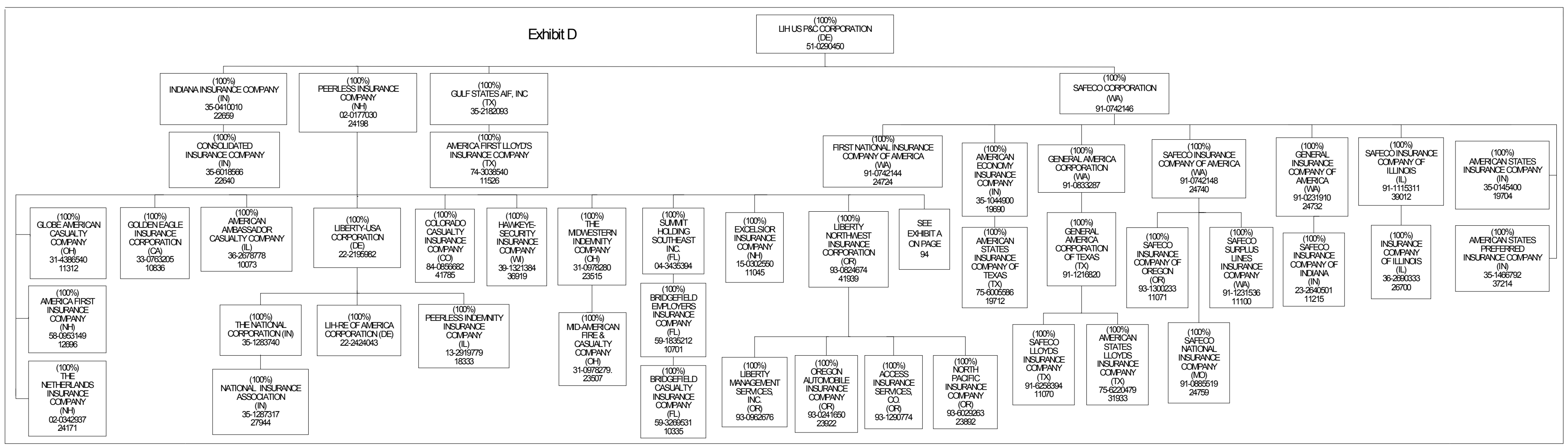
PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART





ALPHABETICAL INDEX

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

ANNUAL STATEMENT BLANK

ANNUAL STATEMENT BLANK (Continued)

ANNUAL STATEMENT BLANK (Continued)

ANNUAL STATEMENT BLANK (Continued)

ANNUAL STATEMENT BLANK (Continued)