



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 OF TEXAS

NAIC Group Code	0111	0163	NAIC Company Code	19712	Employer's ID Number	75-6005586
	(Current Period)	(Prior Period)				
Organized under the Laws of	Texas			State of Domicile or Port of Entry	Texas	
Country of Domicile	United States					
Incorporated/Organized	07/22/1955			Commenced Business	08/24/1955	
Statutory Home Office	1600 NORTH COLLINS BLVD			RICHARDSON, TX 75080		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	1001 FOURTH AVE, SAFECO PLAZA			SEATTLE, WA 98154	206-545-5000	
	(Street and Number)			(City or Town, State and Zip Code)	(Area Code) (Telephone Number)	
Mail Address	1001 FOURTH AVE, SAFECO PLAZA			SEATTLE, WA 98154		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	1001 FOURTH AVE, SAFECO PLAZA			SEATTLE, WA 98154	206-545-5000	
	(Street and Number)			(City or Town, State and Zip Code)	(Area Code) (Telephone Number)	
Internet Website Address	WWW.SAFECO.COM					
Statutory Statement Contact	BOBBI ANE HODGSON-JEFFERS			206-545-5000		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	bobhod@safeco.com			206-473-6770		
	(E-mail Address)			(Fax Number)		

OFFICERS

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

OTHER OFFICERS

ANTHONY ALEXANDER FONTANES #	Chief Investment Officer & EVP	JOSEPH ANTHONY GILLES #	Executive Vice President
SCOTT RHODES GOODBY #	Chief Operating Officer & EVP		

DIRECTORS OR TRUSTEES

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

State ofMASSACHUSETTS.....

County ofSUFFOLK..... 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.

GARY RICHARD GREGG #	DEXTER ROBERT LEGG #	MICHAEL JOSEPH FALLON #
Chairman of the Board, CEO & 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			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	17,660,979	0	17,660,979	18,811,524
2. Stocks (Schedule D):				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	192,710	0	192,710	355,694
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 (\$0 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$3,297,363 , Schedule DA).....	3,297,363	0	3,297,363	1,160,222
6. Contract loans, (including \$premium notes)	0	0	0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities	4,483	0	4,483	2,070
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	21,155,535	0	21,155,535	20,329,510
11. Title plants less \$charged off (for Title insurers only).....	0	0	0	0
12. Investment income due and accrued	264,075	5,625	258,450	268,292
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....	0	0	0	0
13.3 Accrued retrospective premium.....	0	0	0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	1,413,996	0	1,413,996	2,198,610
14.2 Funds held by or deposited with reinsured companies	0	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
16.2 Net deferred tax asset	233,838	160,057	73,781	73,212
17. Guaranty funds receivable or on deposit	0	0	0	0
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	737,164	0	737,164	118,220
22. Health care (\$) and other amounts receivable	0	0	0	0
23. Aggregate write-ins for other than invested assets	4,799	596	4,203	169
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	23,809,407	166,278	23,643,129	22,988,013
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
26. Total (Lines 24 and 25)	23,809,407	166,278	23,643,129	22,988,013
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.....	596	596	0	0
2302. Other Assets.....	4,203		4,203	169
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	4,799	596	4,203	169

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	0	0
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		0
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	0	0
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)		0
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		0
7.1 Current federal and foreign income taxes (including \$(9,932) on realized capital gains (losses)).....	70,318	30,022
7.2 Net deferred tax liability.....		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$18,042,131 and including warranty reserves of \$)	0	0
10. Advance premium.....		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,904,267	2,304,423
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated.....		0
16. Provision for reinsurance (Schedule F, Part 7)	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	225,442	2,651
20. Payable for securities		0
21. Liability for amounts held under uninsured plans		0
22. Capital notes \$and interest thereon \$		0
23. Aggregate write-ins for liabilities	0	0
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	2,200,027	2,337,096
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	2,200,027	2,337,096
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		0
32. Gross paid in and contributed surplus		0
33. Unassigned funds (surplus)	16,443,102	15,650,917
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		0
34.2 shares preferred (value included in Line 29 \$)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	21,443,102	20,650,917
36. Totals (Page 2, Line 26, Col. 3)	23,643,129	22,988,013
DETAILS OF WRITE-INS		
2301.		
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	0	0
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	0	0
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	0	0
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	0	0
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	0	0
7. Net income of protected cells		0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	0	0
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,017,574	1,058,450
10. Net realized capital gains (losses) less capital gains tax of \$19,991 (Exhibit of Capital Gains (Losses)).....	37,125	9,437
11. Net investment gain (loss) (Lines 9 + 10)	1,054,699	1,067,887
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)		0
13. Finance and service charges not included in premiums		0
14. Aggregate write-ins for miscellaneous income	0	0
15. Total other income (Lines 12 through 14)	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,054,699	1,067,887
17. Dividends to policyholders		0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	1,054,699	1,067,887
19. Federal and foreign income taxes incurred	121,547	144,035
20. Net income (Line 18 minus Line 19) (to Line 22)	933,152	923,852
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	20,650,917	19,706,674
22. Net income (from Line 20)	933,152	923,852
23. Net transfers (to) from Protected Cell accounts		0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$(63,268)	(117,497)	13,696
25. Change in net unrealized foreign exchange capital gain (loss)		0
26. Change in net deferred income tax	(18,510)	(89,004)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(4,960)	95,699
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	0	0
29. Change in surplus notes		0
30. Surplus (contributed to) withdrawn from protected cells		0
31. Cumulative effect of changes in accounting principles		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		0
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	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	792,185	944,243
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	21,443,102	20,650,917
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.		
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)	0	0
3701.		
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)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	(400,156)	225,505
2. Net investment income.....	1,009,394	1,033,946
3. Miscellaneous income.....	0	0
4. Total (Lines 1 through 3).....	609,238	1,259,451
5. Benefit and loss related payments.....	(784,614)	229,392
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	0	0
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 8,140 tax on capital gains (losses).....	56,388	148,671
10. Total (Lines 5 through 9).....	(728,226)	378,063
11. Net cash from operations (Line 4 minus Line 10).....	1,337,465	881,388
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	2,135,096	2,872,578
12.2 Stocks.....	0	167,500
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	215	0
12.7 Miscellaneous proceeds.....	0	52,948
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	2,135,311	3,093,026
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	885,271	3,544,953
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	50,172	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	935,443	3,544,953
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).....	1,199,868	(451,927)
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	0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	(400,191)	9,033
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(400,191)	9,033
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).....	2,137,142	438,494
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	1,160,222	721,728
19.2 End of year (Line 18 plus Line 19.1).....	3,297,363	1,160,222

Part 1
NONE

Part 1A
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business		1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
			2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1.	Fire	157,502	.0	.0	157,502	.0	.0
2.	Allied lines	211,638	.0	.0	211,638	.0	.0
3.	Farmowners multiple peril	1,627,192	.0	.0	1,627,192	.0	.0
4.	Homeowners multiple peril	338,491	.0	.0	338,491	.0	.0
5.	Commercial multiple peril	267,254	.0	.0	267,254	.0	.0
6.	Mortgage guaranty	.0	.0	.0	.0	.0	.0
8.	Ocean marine	.0	.0	.0	.0	.0	.0
9.	Inland marine	1,892,214	.0	.0	1,892,214	.0	.0
10.	Financial guaranty	.0	.0	.0	.0	.0	.0
11.1	Medical malpractice - occurrence	.0	.0	.0	.0	.0	.0
11.2	Medical malpractice - claims-made	.0	.0	.0	.0	.0	.0
12.	Earthquake	(97)	.0	.0	(97)	.0	.0
13.	Group accident and health	.0	.0	.0	.0	.0	.0
14.	Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0
15.	Other accident and health	.0	.0	.0	.0	.0	.0
16.	Workers' compensation	10,190,725	.0	.0	10,190,725	.0	.0
17.1	Other liability - occurrence	644,864	.0	.0	644,864	.0	.0
17.2	Other liability - claims-made	.0	.0	.0	.0	.0	.0
18.1	Products liability - occurrence	.0	.0	.0	.0	.0	.0
18.2	Products liability - claims-made	.0	.0	.0	.0	.0	.0
19.1,19.2	Private passenger auto liability	464,418	.0	.0	464,418	.0	.0
19.3,19.4	Commercial auto liability	16,825,841	.0	.0	16,825,841	.0	.0
21.	Auto physical damage	4,909,754	.0	.0	4,909,754	.0	.0
22.	Aircraft (all perils)	.0	.0	.0	.0	.0	.0
23.	Fidelity	6,733	.0	.0	6,733	.0	.0
24.	Surety	.0	.0	.0	.0	.0	.0
26.	Burglary and theft	2,915	.0	.0	2,915	.0	.0
27.	Boiler and machinery	26	.0	.0	26	.0	.0
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	.0	.0	.0	.0	.0
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	37,539,470	0	0	37,539,470	0	0
DETAILS OF WRITE-INS							
3401.	.....						
3402.	.....						
3403.	.....						
3498.	Summary of remaining write- ins for Line 34 from overflow page	.0	.0	.0	.0	.0	.0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business		Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1.	Fire	109,765		109,765	.0	.0	.0	.0	.0
2.	Allied lines	158,203		158,203	.0	.0	.0	.0	.0
3.	Farmowners multiple peril	1,737,351		1,737,351	.0	.0	.0	.0	.0
4.	Homeowners multiple peril	572,964		572,964	.0	.0	.0	.0	.0
5.	Commercial multiple peril	1,236,531		1,236,531	.0	.0	.0	.0	.0
6.	Mortgage guaranty	.0		.0	.0	.0	.0	.0	.0
8.	Ocean marine	.0		.0	.0	.0	.0	.0	.0
9.	Inland marine	1,354,888		1,354,888	.0	.0	.0	.0	.0
10.	Financial guaranty	.0		.0	.0	.0	.0	.0	.0
11.1	Medical malpractice - occurrence	.0		.0	.0	.0	.0	.0	.0
11.2	Medical malpractice - claims-made	.0		.0	.0	.0	.0	.0	.0
12.	Earthquake	.0		.0	.0	.0	.0	.0	.0
13.	Group accident and health	.0		.0	.0	.0	.0	.0	.0
14.	Credit accident and health (group and individual)	.0		.0	.0	.0	.0	.0	.0
15.	Other accident and health	.0		.0	.0	.0	.0	.0	.0
16.	Workers' compensation	3,237,407		3,237,407	.0	.0	.0	.0	.0
17.1	Other liability - occurrence	150,875		150,875	.0	.0	.0	.0	.0
17.2	Other liability - claims-made	.0		.0	.0	.0	.0	.0	.0
18.1	Products liability - occurrence	.0		.0	.0	.0	.0	.0	.0
18.2	Products liability - claims-made	.0		.0	.0	.0	.0	.0	.0
19.1,19.2	Private passenger auto liability	474,634		474,634	.0	.0	.0	.0	.0
19.3,19.4	Commercial auto liability	7,259,097		7,259,097	.0	.0	.0	.0	.0
21.	Auto physical damage	3,521,546		3,521,546	.0	.0	.0	.0	.0
22.	Aircraft (all perils)	.0		.0	.0	.0	.0	.0	.0
23.	Fidelity	.0		.0	.0	.0	.0	.0	.0
24.	Surety	.0		.0	.0	.0	.0	.0	.0
26.	Burglary and theft	.0		.0	.0	.0	.0	.0	.0
27.	Boiler and machinery	.0		.0	.0	.0	.0	.0	.0
28.	Credit	.0		.0	.0	.0	.0	.0	.0
29.	International	.0		.0	.0	.0	.0	.0	.0
30.	Warranty	.0		.0	.0	.0	.0	.0	.0
31.	Reinsurance - Nonproportional Assumed Property	XXX		.0	.0	.0	.0	.0	.0
32.	Reinsurance - Nonproportional Assumed Liability	XXX		.0	.0	.0	.0	.0	.0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX		.0	.0	.0	.0	.0	.0
34.	Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0
35.	TOTALS	19,813,261	0	19,813,261	0	0	0	0	0.0
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
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE AMERICAN STATES INSURANCE COMPANY OF TEXAS

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

Line of Business		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1.	Fire	.0		.0	.0	10,344		10,344	.0	
2.	Allied lines	203,025		203,025	.0	16,081		16,081	.0	
3.	Farmowners multiple peril	266,227		266,227	.0	52,234		52,234	.0	
4.	Homeowners multiple peril	84,520		84,520	.0	42,200		42,200	.0	
5.	Commercial multiple peril	3,080,926		3,080,926	.0	1,351,384		1,351,384	.0	
6.	Mortgage guaranty	.0		.0	.0	.0		.0	.0	
8.	Ocean marine	.0		.0	.0	.0		.0	.0	
9.	Inland marine	18,500		18,500	.0	67,206		67,206	.0	
10.	Financial guaranty	.0		.0	.0	.0		.0	.0	
11.1	Medical malpractice - occurrence	.0		.0	.0	34		34	.0	
11.2	Medical malpractice - claims-made	.0		.0	.0	.0		.0	.0	
12.	Earthquake	.0		.0	.0	(21)		(21)	.0	
13.	Group accident and health	.0		.0	.0	.0		.0	(a)	.0
14.	Credit accident and health (group and individual)	.0		.0	.0	.0		.0	.0	
15.	Other accident and health	.0		.0	.0	.0		.0	(a)	.0
16.	Workers' compensation	30,973,926		30,973,926	.0	6,426,017		6,426,017	.0	
17.1	Other liability - occurrence	810,158		810,158	.0	1,726,126		1,726,126	.0	
17.2	Other liability - claims-made	.0		.0	.0	.0		.0	.0	
18.1	Products liability - occurrence	.0		.0	.0	4,819		4,819	.0	
18.2	Products liability - claims-made	.0		.0	.0	.0		.0	.0	
19.1,19.2	Private passenger auto liability	184,960		184,960	.0	68,913		68,913	.0	
19.3,19.4	Commercial auto liability	7,265,448		7,265,448	.0	4,949,245		4,949,245	.0	
21.	Auto physical damage	201,190		201,190	.0	10,176		10,176	.0	
22.	Aircraft (all perils)	.0		.0	.0	.0		.0	.0	
23.	Fidelity	.0		.0	.0	268		268	.0	
24.	Surety	.0		.0	.0	.0		.0	.0	
26.	Burglary and theft	.0		.0	.0	138		138	.0	
27.	Boiler and machinery	.0		.0	.0	226		226	.0	
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		.0	.0	XXX		.0	.0	
32.	Reinsurance - Nonproportional Assumed Liability	XXX		.0	.0	XXX		.0	.0	
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX		.0	.0	XXX		.0	.0	
34.	Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
35.	TOTALS	43,088,880	0	43,088,880	0	14,725,390	0	14,725,390	0	0
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	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	1,041,557			1,041,557
1.2 Reinsurance assumed				0
1.3 Reinsurance ceded	1,041,557			1,041,557
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	0	0	0	0
2. Commission and brokerage:				
2.1 Direct, excluding contingent		5,054,657		5,054,657
2.2 Reinsurance assumed, excluding contingent				0
2.3 Reinsurance ceded, excluding contingent		5,054,657		5,054,657
2.4 Contingent-direct		695,143		695,143
2.5 Contingent-reinsurance assumed				0
2.6 Contingent-reinsurance ceded		695,143		695,143
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	0	0	0
3. Allowances to manager and agents				0
4. Advertising				0
5. Boards, bureaus and associations				0
6. Surveys and underwriting reports			3	3
7. Audit of assureds' records			0	0
8. Salary and related items:				
8.1 Salaries			23,434	23,434
8.2 Payroll taxes			228	228
9. Employee relations and welfare			485	485
10. Insurance				0
11. Directors' fees				0
12. Travel and travel items			81	81
13. Rent and rent items			130	130
14. Equipment			16	16
15. Cost or depreciation of EDP equipment and software			392	392
16. Printing and stationery			842	842
17. Postage, telephone and telegraph, exchange and express			32	32
18. Legal and auditing			1,218	1,218
19. Totals (Lines 3 to 18)	0	0	26,861	26,861
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$				0
20.2 Insurance department licenses and fees				0
20.3 Gross guaranty association assessments				0
20.4 All other (excluding federal and foreign income and real estate)				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	0	0	0
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	0	0	0	0
25. Total expenses incurred	0	0	26,861	(a) 26,861
26. Less unpaid expenses - current year	0	0		0
27. Add unpaid expenses - prior year	0	0	0	0
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)	0	0	26,861	26,861
DETAILS OF WRITE-INS				
2401.				
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	0	0	0

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

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) 233,063	 232,603
1.1	Bonds exempt from U.S. tax	(a) 535,580	 534,550
1.2	Other bonds (unaffiliated)	(a) 218,716	 215,747
1.3	Bonds of affiliates	(a) 0	.....
2.1	Preferred stocks (unaffiliated)	(b) 0	.....
2.11	Preferred stocks of affiliates	(b) 0	.....
2.2	Common stocks (unaffiliated)	 2,130	 2,130
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) 53,709	 53,944
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income	 5,461	 5,461
10.	Total gross investment income	1,048,659	1,044,435
11.	Investment expenses		(g) 26,861
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		 0
16.	Total deductions (Lines 11 through 15)		 26,861
17.	Net investment income (Line 10 minus Line 16)		1,017,574
DETAILS OF WRITE-INS			
0901.	Miscellaneous Interest Income	 1,779	 1,779
0902.	Securities Lending Income	 3,682	 3,682
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)	5,461	5,461
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page		 0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		0

(a) Includes \$ 67,877 accrual of discount less \$ 55,480 amortization of premium and less \$ 7,005 paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ 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 \$ 8,131 accrual of discount less \$ amortization of premium and less \$ 113 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	2	3	4	5.
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds			 0		
1.1	Bonds exempt from U.S. tax	117,474		117,474		
1.2	Other bonds (unaffiliated)	(6,213)	(6,602)	(12,815)	(17,782)	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	(162,984)	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	0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	215	(47,757)	(47,542)		
7.	Derivative instruments			0		
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	111,476	(54,359)	57,117	(180,766)	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	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	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	5,625	0	(5,625)
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
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.....	160,057	160,722	665
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	596	596	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	166,278	161,318	(4,960)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	166,278	161,318	(4,960)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses.....	596	596	0
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	596	596	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

The state of Texas requires insurance companies domiciled in the state of Texas 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 Texas Insurance Department.

There are no differences between Texas 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

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

3. Business Combinations and Goodwill

A. Statutory purchase method

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

B. Statutory mergers

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

C. Impairment loss

Not Applicable

4. Discontinued Operations

The Company had no discontinued operations to report.

5. Investments

A. Mortgage loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

The Company has no reverse mortgages

D. Loan-backed securities

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

NOTES TO FINANCIAL STATEMENTS

F. Real estate impairments and retail land sales

- 1. The Company did not recognize an impairment loss on real estate.
- 2. The Company did not sell or reclassify any real estate during 2008.
- 3. The Company has not experienced a change to a plan of sale for an investment in real estate.
- 4. The Company does not have a retail land sales operation.

G. Low Income Housing Tax Credits

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

6. Joint Ventures, Partnerships and Limited Liability Companies

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

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

B. Write downs for impairments

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

7. Investment Income

A. Accrued Investment Income

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

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

B. Amounts excluded

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

As of December 31, 2008, the Company non-admitted \$5,625 of investment income due and accrued over 90 days past due.

8. Derivative Instruments

The Company does not own any derivative instruments.

9. Federal Income Tax Allocation

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	296,386	366,250	(69,864)
Total of deferred tax liabilities	(62,548)	(132,317)	69,769
Net deferred tax asset (liability)	233,838	233,933	(95)
Net deferred tax asset non-admitted	(160,057)	(160,721)	664
Net admitted deferred tax asset (liability)	73,781	73,212	569

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

NOTES TO FINANCIAL STATEMENTS

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

	2008	2007
Federal tax on operations	121,547	144,035
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	121,547	144,035
Tax on capital gains	19,991	(9,330)
Total income tax incurred	141,538	134,705

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)	(63,363)
Tax effect of unrealized (gains) losses	63,268
Total change in net deferred income tax	(95)

- 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 \$140,316 from the current year and \$135,925 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	Winmar Company, Inc.
Safeco Insurance Company of America	Safecare Company, Inc.
General Insurance Company of America	SCIT, Inc.
First National Insurance Company of America	Winmar of the Desert, Inc.
Safeco National Insurance Company	Winmar Metro, Inc.
Safeco Insurance Company of Illinois	Winmar Oregon, Inc.
Safeco Lloyds Insurance Company	S.C. Bellevue, Inc.
Safeco Surplus Lines Insurance Company	Capital Court Corporation
Safeco Insurance Company of Indiana	General America Corporation
American States Insurance Company	General America Corporation of Texas
American Economy Insurance Company	F.B. Beattie & Company, Inc.
American States Preferred Insurance Company	Barrier Ridge LLC
Insurance Company of Illinois	Commercial Aviation Insurance Inc.,-PA
American States Lloyds Insurance Company	Pilot Insurance Services, Inc.
American States Insurance Company of Texas	Safeco General Agency, Inc.
Safeco Insurance Company of Oregon	Open Seas Solutions, Inc.
Emerald City Insurance Agency, Inc.	Rianoc Research Corporation
Safeco Properties, Inc.	

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

American Economy Insurance 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

The Company had no material intercompany transactions in 2008.

C. Change in Terms of Intercompany Arrangements

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

D. Amounts Due to or from Related Parties

	Due (To) From <u>12/31/2008</u>	Due (To) From <u>12/31/2007</u>
Intercompany Reinsurance Offset	\$490,271	\$0
Intercompany Expense Sharing	\$21,451	\$115,568

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, Service Contracts, Cost Sharing Arrangements

1. The Company has a management contract with General American Corporation of Texas, in which General American Corporation acts as Attorney-in-Fact for the Company.
2. 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.
3. Liberty Mutual Insurance Company (LMIC) is a member of Liberty Mutual Group and provides investment management services to affiliates. Effective September 22, 2008, American States Insurance Company of Texas entered into an Investment Management Agreement with LMIC. The Investment Management agreement specifies the services to be performed by LMIC, the authority granted to 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 \$1,903 as of December 31, 2008.

G. Nature of relationships that could affect operations

American States Insurance Company of Texas is owned under Articles of Agreement of Underwriters as permitted under Chapter 18 of the Texas Insurance Code of 1951. The Company participates in an intercompany pooling agreement with the affiliates, as described in Note 25. 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 0%.

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.

NOTES TO FINANCIAL STATEMENTS

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 an impairment write-down for its investment in a subsidiary, controlled or affiliated company.

K. Investments in a foreign insurance subsidiary

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

L. Investments 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

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 1997 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. No expense for this plan was charged to the Company in 2008 and 2007. 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. 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. No expense for this plan was charged to the Company in 2008 or 2007. The Company has no legal obligation for benefits under this plan.

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. No OPRB expense was charge to the Company in 2008 or 2007. 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.

NOTES TO FINANCIAL STATEMENTS

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. No deferred compensation expense was charged to the Company in 2008 or 2007. 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 100,000 shares of \$50.00 par value common stock and 100,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

2. Dividend rate of preferred stock

Not Applicable

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

The Company is restricted by the State of Texas 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.

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 may pay up to \$2,144,310 in the aggregate in 2009 without prior regulatory approval.

6. Restrictions on unassigned funds

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

7. Mutual surplus advances

The Company had no advances to surplus.

8. Company stock held for special purposes

The Company does not hold stock for special purposes.

9. Changes in special surplus funds

The Company does not hold special surplus funds.

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

Unassigned funds (surplus) was increased by \$112,640 of cumulative unrealized capital gains.

11. Surplus notes

The Company does not have surplus notes.

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

The Company did not have any quasi-reorganizations.

14. Contingencies

A. Contingent commitments

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

2. 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.

NOTES TO FINANCIAL STATEMENTS

B. Guaranty fund and other assessments

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

As the result of the intercompany reinsurance pooling agreement described in Note 25, all guaranty fund and other assessments liabilities are ceded to Safeco Insurance Company of America.

C. Gain contingencies

Not Applicable

D. Extra Contractual Obligation and Bad Faith Losses

The Company did not pay to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits in the reporting period.

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 \$54,406 for investments that have experienced an other-than-temporary decline in value.

15. Leases

The Company is not involved in material lease obligations.

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

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

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

A. Transfers of receivables reported as sales

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

B. Transfers and servicing of financial assets

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

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

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

C. Wash sales

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

NOTES TO FINANCIAL STATEMENTS

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

Not Applicable

- 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 \$3,692,000 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.

- D. Uncollectible premiums receivable

As a result of the intercompany reinsurance agreement (see Note 25), the Company has no exposure to uncollectible premium receivable balances.

- 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 Company does not hold any hybrid securities as of December 31, 2008.

- 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.

NOTES TO FINANCIAL STATEMENTS

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	\$48,768	\$48,768	\$44,730	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.

21. Events Subsequent

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

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

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

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

22. Reinsurance

A. Unsecured Reinsurance Recoverables

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

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

Assets and liabilities related to insurance underwriting are similarly shared.

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

NOTES TO FINANCIAL STATEMENTS

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

FEIN	NAIC	Reinsurer	Recoverable
AA-9991159	0	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	0	Lloyd's of London	\$ 38,296,210
AA-9991423	0	MN Workers Comp. Reins. Assoc.	\$ 24,783,627

B. Reinsurance Recoverables in Dispute

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

C. Reinsurance Assumed and Ceded

1)		Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
		(1) Premium Reserve	(2) Commission Equity	(3) Premium Reserve	(4) Commission Equity	(5) Premium Reserve	(6) Commission Equity
a.	Affiliates	\$ -	\$ -	\$ 18,042,131	\$ 2,429,357	\$ (18,042,131)	\$ (2,429,357)
b.	All Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	TOTAL	\$ -	\$ -	\$ 18,042,131	\$ 2,429,357	\$ (18,042,131)	\$ (2,429,357)

d. Direct Unearned Premium Reserve: \$ 18,042,131

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

		Reinsurance			
		(1) Direct	(2) Assumed	(3) Ceded	(4) Net
a.	Contingent Commission	\$ 492,880	\$ -	\$ -	\$ 492,880
b.	Sliding Scale Adjustments	-	-	-	-
c.	Other Profit Commission Arrangements	-	-	-	-
d.	TOTAL	\$ 492,880	\$ -	\$ -	\$ 492,880

3) The Company does not have protected cells.

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements.

G. Reinsurance Accounted for as a Deposit

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

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have accrued retrospective premiums reported as an asset on Line 10.3. See Note 25.

24. Change in Incurred Losses and Loss Adjustment Expenses

The Company has no net exposure to changes in incurred losses and loss adjustment expense. See Note 25.

NOTES TO FINANCIAL STATEMENTS

25. Intercompany Pooling Arrangements

- A. The Company participates in an intercompany reinsurance agreement in which it cedes to Safeco Insurance Company of America (Reinsurer) 100% of the liability of the Company arising out of the contracts of insurance, reinsurance, policies, binders and endorsements issued with respect to the subject insurance business. The liabilities ceded do not include liabilities for federal income taxes, liabilities incurred in connection with investment transactions, liabilities for dividends to stockholders declared and unpaid and other liabilities not incurred in connection with acquisition, underwriting, claims and administrative operations. The Company also cedes to the Reinsurer all premiums and reserves related to the subject insurance business.

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. Under the 2009 PIC agreement, the Company will continue to cede 100% of the liabilities, premiums and reserves of the Company similar to the agreement in force in 2008.

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

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
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.

NOTES TO FINANCIAL STATEMENTS

- C. All cessions under the agreement are net of reinsurance ceded to unaffiliated companies.
- D. The Company is not a party to any agreement whereby risk is ceded to unaffiliated reinsurers.
- E. There are no discrepancies between entries regarding business assumed reinsurance schedules of the Reinsurer and corresponding entries on the ceded reinsurance schedules of the Company.
- F. The Company does not carry any portion of the Provision for Reinsurance or the write-offs of uncollectible reinsurance from unaffiliated reinsurers.
- 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:

<u>Affiliated Company</u>	<u>Amount Due (To) From</u>
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 \$28,732 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

Not Applicable

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

Not applicable due to our intercompany reinsurance agreement detailed in Note 25. The percentage of premiums and losses allocated to the Company is 0%.

NOTES TO FINANCIAL STATEMENTS

32. Asbestos and Environmental Reserves

- A. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses? Yes () No (x)
- B. – C. Not applicable due to our intercompany reinsurance agreement detailed in Note 25, the percentage of premiums and losses allocated to the company is 0%.
- D. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to environmental losses? Yes () No (x)
- E. – F. Not applicable due to our intercompany reinsurance agreement detailed in Note 25, the percentage of premiums and losses allocated to the company is 0%.

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?

Texas
- 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).

07/10/2007
- 3.4

By what department or departments?

Texas
- 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	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	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 [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

0

11.13

Total book/adjusted carrying value

\$ 0
- 11.2

If yes, provide explanation
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 []

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and

a.

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

\$

3,691,581

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? If no, attach a description with this statement.

Yes [] No [] NA []

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.....
.....		

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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	20,958,341	21,468,442	510,101
28.2 Preferred stocks.....	0	0	0
28.3 Totals	20,958,341	21,468,442	510,101

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?.....\$0

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

1	2
Name	Amount Paid

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

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

1	2
Name	Amount Paid
+0.....	0

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

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

1	2
Name	Amount Paid
+0.....	

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

\$0

\$0

2.3

Premium Ratio (2.1/2.2)

.....0.000

.....0.000

2.4

Reserve Numerator

\$0

\$0

2.5

Reserve Denominator

\$0

\$0

2.6

Reserve Ratio (2.4/2.5)

.....0.000

.....0.000

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

.....

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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 uninsured 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
(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
(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

[]

No

[]

N/A

[X]

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

\$ 0

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$ 0

12.2

Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?

\$ 0

12.3

If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

Yes [] No [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):

\$ 0

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

2

3

4

5

Direct Losses Incurred

Direct Losses Unpaid

Direct Written Premium

Direct Premium Unearned

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.....	\$.....

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE AMERICAN STATES INSURANCE COMPANY OF TEXAS

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)	28,125,848	30,266,987	25,015,366	25,195,906	31,881,783
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,173,926	7,104,422	6,333,498	7,411,471	10,239,530
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,232,963	3,201,256	3,770,011	4,252,053	8,504,030
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,733	9,326	10,733	8,533	8,775
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6. Total (Line 35)	37,539,470	40,581,991	35,129,607	36,867,962	50,634,118
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)	0	0	0	0	0
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	0	0	0
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12. Total (Line 35)	0	0	0	0	0
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	0	0	0	0	0
14. Net investment gain (loss) (Line 11)	1,054,699	1,067,887	953,696	1,045,148	990,449
15. Total other income (Line 15)	0	0	0	0	0
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	121,547	144,035	154,371	211,600	216,186
18. Net income (Line 20)	933,152	923,852	799,325	833,548	774,263
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	23,643,129	22,988,013	21,829,580	21,818,750	17,816,736
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	0	0	0	0	0
20.2 Deferred and not yet due (Line 13.2)	0	0	0	0	0
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	2,200,027	2,337,096	2,122,906	3,130,281	79,400
22. Losses (Page 3, Line 1)	0	0	0	0	0
23. Loss adjustment expenses (Page 3, Line 3)	0	0	0	0	0
24. Unearned premiums (Page 3, Line 9)	0	0	0	0	0
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)	21,443,102	20,650,917	19,706,674	18,688,468	17,737,336
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,337,465	881,388	2,204,893	4,406	928,830
Risk-Based Capital Analysis					
28. Total adjusted capital	21,443,102	20,650,917	19,706,674	18,688,468	17,737,336
29. Authorized control level risk-based capital	98,692	100,305	79,308	49,618	44,636
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)	83.5	92.5	93.4	98.2	98.5
31. Stocks (Lines 2.1 & 2.2)	0.9	1.7	2.6	1.8	1.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	15.6	5.7	3.7	0.0	0.0
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.0	0.0	0.0	0.0	0.0
37. Receivables for securities (Line 8)	0.0	0.0	0.3	0.0	0.0
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
45. All other affiliated		0	0	0	0
46. Total of above Lines 40 to 45	0	0	0	0	0
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	0.0	0.0	0.0	0.0	0.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2008	2 2007	3 2006	4 2005	5 2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(117,497)	13,696	142,452	73,823	0
49. Dividends to stockholders (Line 35)	0	0	0	0	(1,800,000)
50. Change in surplus as regards policyholders for the year (Line 38)	792,185	944,243	1,018,206	951,132	(1,026,845)
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)	11,122,013	11,457,457	9,158,589	15,177,469	15,667,254
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	5,144,402	3,745,160	2,671,360	3,942,394	6,159,806
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,546,846	3,807,170	3,314,229	7,488,000	10,862,325
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	(31,000)	6,189	81,942
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
56. Total (Line 35)	19,813,261	19,009,787	15,113,178	26,614,052	32,771,327
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)	0	0	0	0	0
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	0	0	0	0	0
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
62. Total (Line 35)	0	0	0	0	0
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)	0.0	0.0	0.0	0.0	0.0
65. Loss expenses incurred (Line 3)	0.0	0.0	0.0	0.0	0.0
66. Other underwriting expenses incurred (Line 4)	0.0	0.0	0.0	0.0	0.0
67. Net underwriting gain (loss) (Line 8)	0.0	0.0	0.0	0.0	0.0
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)	0.0	0.0	0.0	0.0	0.0
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	0.0	0.0	0.0	0.0	0.0
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)	0.0	0.0	0.0	0.0	0.0
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) ..	0	0	0	0	0
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)	0.0	0.0	0.0	0.0	0.0
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	0	0	0	0	0
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)	0.0	0.0	0.0	0.0	0.0

Schedule P - Part 1 - Summary

NONE

Schedule P - Part 2 - Summary

NONE

Schedule P - Part 3 - Summary

NONE

Schedule P - Part 4 - Summary

NONE

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
			2	3						
	States, etc.	Active Status	Direct Premiums Written	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	.0	.0	.0	.0	.0	.0	
2.	Alaska	AK	N	.0	.0	.0	.0	.0	.0	
3.	Arizona	AZ	L	.0	.0	.0	.0	.0	.0	
4.	Arkansas	AR	L	.0	.0	.0	.0	.0	.0	
5.	California	CA	L	5,341,138	5,803,391	.0	1,119,126	1,845,169	6,850,554	21,109
6.	Colorado	CO	L	261,176	244,313	.0	25,759	65,858	74,800	1,032
7.	Connecticut	CT	N	.0	.0	.0	.0	.0	.0	
8.	Delaware	DE	N	.0	.0	.0	.0	.0	.0	
9.	District of Columbia	DC	N	.0	.0	.0	.0	.0	.0	
10.	Florida	FL	N	.0	.0	.0	12,683	68,610	2,944,312	.0
11.	Georgia	GA	L	1,552,725	1,743,211	.0	1,088,575	824,003	712,740	6,137
12.	Hawaii	HI	N	.0	.0	.0	.0	.0	.0	
13.	Idaho	ID	N	.0	.0	.0	.0	.0	.0	
14.	Illinois	IL	N	.0	.0	.0	.0	.0	.0	
15.	Indiana	IN	L	.0	.0	.0	.0	(3,224)	1,213	.0
16.	Iowa	IA	L	.0	.0	.0	.0	.0	.0	
17.	Kansas	KS	L	.0	.0	.0	(231)	(29)	205	.0
18.	Kentucky	KY	L	.0	.0	.0	.0	.0	.0	
19.	Louisiana	LA	L	51,861	56,995	.0	248	6,446	8,439	205
20.	Maine	ME	N	.0	.0	.0	.0	.0	.0	
21.	Maryland	MD	L	.0	.0	.0	.0	.0	.0	
22.	Massachusetts	MA	N	.0	.0	.0	.0	.0	.0	
23.	Michigan	MI	N	.0	.0	.0	.0	.0	.0	
24.	Minnesota	MN	N	.0	.0	.0	.0	.0	.0	
25.	Mississippi	MS	L	.0	.0	.0	.0	.0	.0	
26.	Missouri	MO	L	.0	.0	.0	(280)	(261)	19	.0
27.	Montana	MT	N	.0	.0	.0	.0	.0	.0	
28.	Nebraska	NE	L	.0	.0	.0	.0	(550)	(1,771)	.0
29.	Nevada	NV	N	.0	.0	.0	.0	.0	.0	
30.	New Hampshire	NH	N	.0	.0	.0	.0	.0	.0	
31.	New Jersey	NJ	N	.0	.0	.0	.0	.0	.0	
32.	New Mexico	NM	L	.0	.0	.0	.0	.0	.0	
33.	New York	NY	N	.0	.0	.0	.0	.0	.0	
34.	North Carolina	NC	N	.0	.0	.0	.0	.0	.0	
35.	North Dakota	ND	N	.0	.0	.0	.0	.0	.0	
36.	Ohio	OH	L	(20,751)	406,847	.0	403,058	121,037	53,446	(82)
37.	Oklahoma	OK	L	.0	.0	.0	.0	.0	.0	
38.	Oregon	OR	L	8,544,933	8,781,734	79,132	3,950,374	4,325,950	4,869,423	33,771
39.	Pennsylvania	PA	L	546,715	675,910	.0	342,326	850,300	1,979,885	2,161
40.	Rhode Island	RI	N	.0	.0	.0	.0	.0	.0	
41.	South Carolina	SC	L	.0	.0	.0	.0	.0	.0	
42.	South Dakota	SD	L	.0	.0	.0	.0	.0	.0	
43.	Tennessee	TN	L	.0	.0	.0	.0	.0	.0	
44.	Texas	TX	L	21,261,673	21,543,068	.0	12,871,623	11,245,447	40,321,006	244,524
45.	Utah	UT	L	.0	.0	.0	.0	.0	.0	
46.	Vermont	VT	N	.0	.0	.0	.0	.0	.0	
47.	Virginia	VA	N	.0	.0	.0	.0	.0	.0	
48.	Washington	WA	L	.0	.0	.0	.0	.0	.0	
49.	West Virginia	WV	N	.0	.0	.0	.0	.0	.0	
50.	Wisconsin	WI	N	.0	.0	.0	.0	.0	.0	
51.	Wyoming	WY	N	.0	.0	.0	.0	.0	.0	
52.	American Samoa	AS	N	.0	.0	.0	.0	.0	.0	
53.	Guam	GU	N	.0	.0	.0	.0	.0	.0	
54.	Puerto Rico	PR	N	.0	.0	.0	.0	.0	.0	
55.	U.S. Virgin Islands	VI	N	.0	.0	.0	.0	.0	.0	
56.	Northern Mariana Islands	MP	N	.0	.0	.0	.0	.0	.0	
57.	Canada	CN	N	.0	.0	.0	.0	.0	.0	
58.	Aggregate other alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0
59.	Totals	(a) 26	37,539,470	39,255,469	79,132	19,813,261	19,348,756	57,814,271	308,856	0
DETAILS OF WRITE-INS										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX	.0	.0	.0	.0	.0	.0	.0	.0
5899.	Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

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

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

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

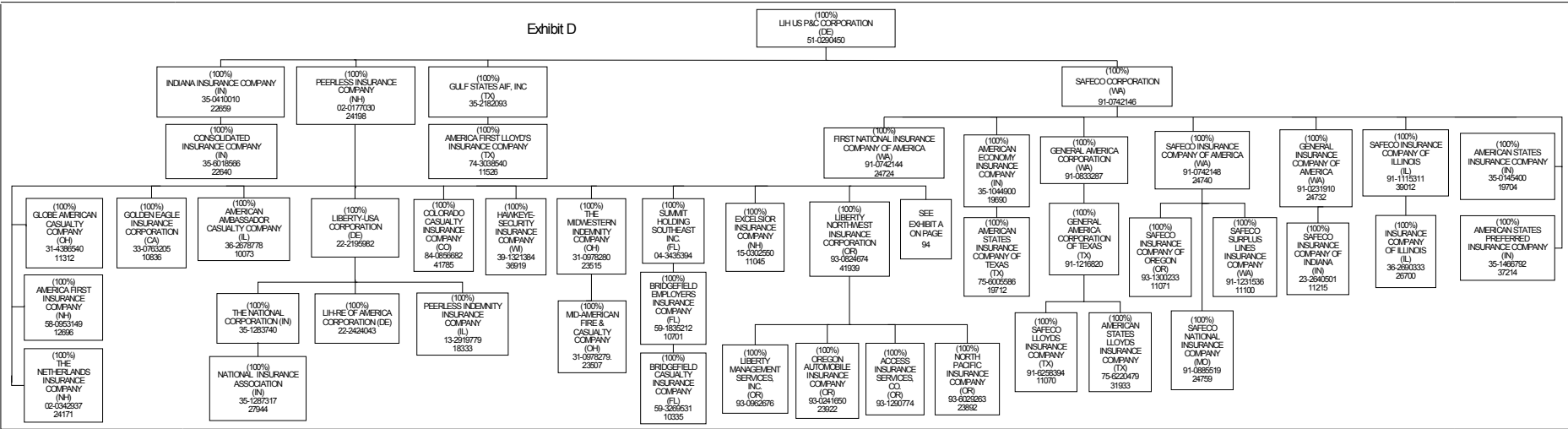
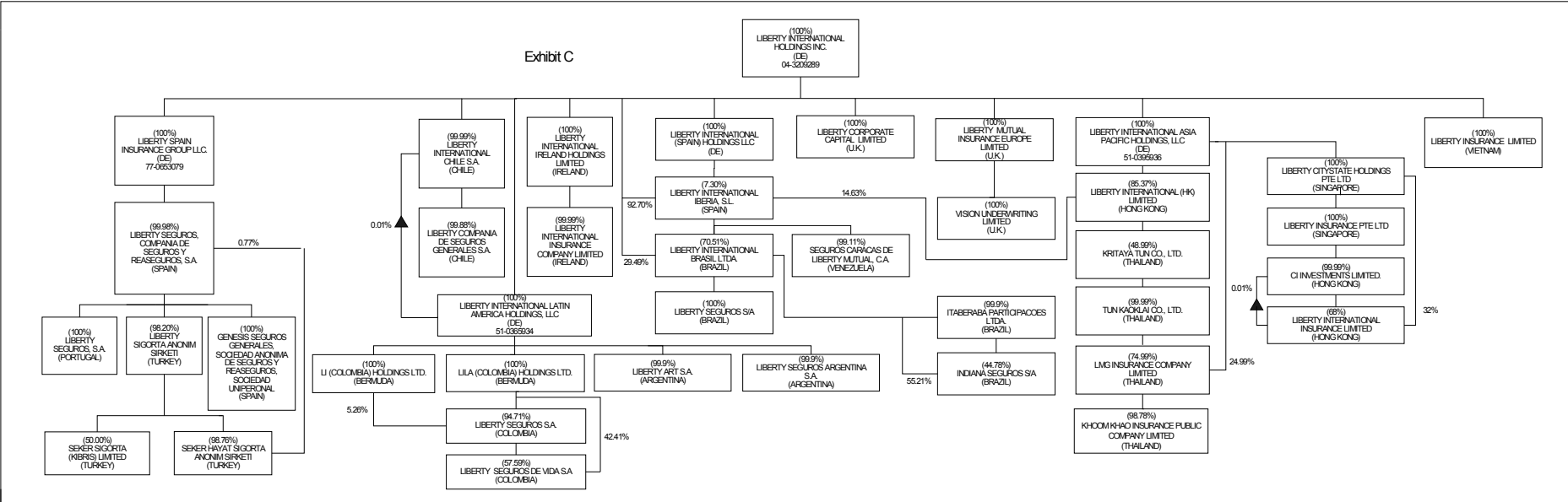
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



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