



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008
OF THE CONDITION AND AFFAIRS OF THE
AMERICAN STATES PREFERRED INSURANCE COMPANY

NAIC Group Code	0111	0163	NAIC Company Code	37214	Employer's ID Number	35-1466792
	(Current Period)	(Prior Period)				
Organized under the Laws of	Indiana			State of Domicile or Port of Entry	Indiana	
Country of Domicile	United States					
Incorporated/Organized	07/26/1979			Commenced Business	09/26/1979	
Statutory Home Office	500 NORTH MERIDIAN STREET			INDIANAPOLIS, IN 46204		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	1001 FOURTH AVE, SAFECO PLAZA			SEATTLE, WA 98154		
	(Street and Number)			(City or Town, State and Zip Code)		
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		
	(Street and Number)			(City or Town, State and Zip Code)		
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
JOSEPH ANTHONY GILLES #	President	DEXTER ROBERT LEGG #	Secretary
MICHAEL JOSEPH FALLON #	Chief Financial Officer & Treasurer	GARY RICHARD GREGG #	Chairman of the Board & Chief Executive Officer

OTHER OFFICERS

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

DIRECTORS OR TRUSTEES

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

State 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.

JOSEPH ANTHONY GILLES #	DEXTER ROBERT LEGG #	MICHAEL JOSEPH FALLON #
President	Secretary	Chief Financial Officer & Treasurer

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

COLLEEN K. LYNCH NOTARY PUBLIC
02/13/2015

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	156,415,278		156,415,278	194,503,313
2. Stocks (Schedule D):				
2.1 Preferred stocks	2,430,000		2,430,000	.0
2.2 Common stocks .....	.0		.0	.0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			.0	.0
4.2 Properties held for the production of income (less \$ encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ encumbrances) .....			.0	.0
5. Cash (\$0 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$7,398,757 , Schedule DA).....	7,398,757		7,398,757	2,167,419
6. Contract loans, (including \$premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0	85,550
8. Receivables for securities	11,572		11,572	23,629
9. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9)	166,255,607	.0	166,255,607	196,779,911
11. Title plants less \$charged off (for Title insurers only).....			.0	.0
12. Investment income due and accrued	2,358,968		2,358,968	2,833,297
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	10,546,084	592,979	9,953,105	13,626,560
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$292,501 earned but unbilled premium).....	16,769,940	32,500	16,737,440	14,783,642
13.3 Accrued retrospective premium.....	51,893	5,189	46,704	40,746
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	3,908,103		3,908,103	4,755,372
14.2 Funds held by or deposited with reinsured companies .....			.0	.0
14.3 Other amounts receivable under reinsurance contracts .....			.0	.0
15. Amounts receivable relating to uninsured plans .....			.0	.0
16.1 Current federal and foreign income tax recoverable and interest thereon	685,709		685,709	705,005
16.2 Net deferred tax asset	11,270,016	5,926,742	5,343,274	5,605,142
17. Guaranty funds receivable or on deposit	155,809		155,809	70,255
18. Electronic data processing equipment and software .....			.0	.0
19. Furniture and equipment, including health care delivery assets (\$)			.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates	5,812,833		5,812,833	1,855,000
22. Health care (\$) and other amounts receivable .....			.0	.0
23. Aggregate write-ins for other than invested assets	98,045	9,320	88,725	69,088
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	217,913,007	6,566,730	211,346,277	241,124,018
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	.0	.0	.0	.0
26. Total (Lines 24 and 25)	217,913,007	6,566,730	211,346,277	241,124,018
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. Miscellaneous Accounts Receivable.....	7,820	7,820	.0	.0
2303. Other Assets.....	89,629	904	88,725	69,088
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)	98,045	9,320	88,725	69,088

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	77,545,503	76,408,786
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	5,331,056	5,222,757
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	18,076,766	18,192,060
4. Commissions payable, contingent commissions and other similar charges	2,872,238	2,798,733
5. Other expenses (excluding taxes, licenses and fees)	5,096,966	5,291,651
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	1,460,394	614,555
7.1 Current federal and foreign income taxes (including \$ (148,532) on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ and interest thereon \$	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 24,603,124 and including warranty reserves of \$)	40,403,696	44,153,576
10. Advance premium	634,776	564,348
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	131,211	146,764
12. Ceded reinsurance premiums payable (net of ceding commissions)	5,627,209	5,599,741
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	0	0
14. Amounts withheld or retained by company for account of others	358,761	347,298
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (Schedule F, Part 7)	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	4,362,980	2,531,240
20. Payable for securities	154	0
21. Liability for amounts held under uninsured plans	0	0
22. Capital notes \$ and interest thereon \$	0	0
23. Aggregate write-ins for liabilities	435,050	706,906
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	162,336,760	162,578,415
25. Protected cell liabilities	0	0
26. Total liabilities (Lines 24 and 25)	162,336,760	162,578,415
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock	0	0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes	0	0
32. Gross paid in and contributed surplus	42,192,623	42,192,623
33. Unassigned funds (surplus)	1,816,894	31,352,980
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)	0	0
34.2 shares preferred (value included in Line 29 \$)	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	49,009,517	78,545,603
36. Totals (Page 2, Line 26, Col. 3)	211,346,277	241,124,018
DETAILS OF WRITE-INS		
2301. Accounts Payable	395,377	646,498
2302. Other Liabilities		1,962
2303. Accrued Return Retrospective Premiums	39,673	58,446
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)	435,050	706,906
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)	110,594,324	111,839,810
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	61,396,594	59,413,547
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	12,714,946	10,879,087
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	33,536,846	34,283,239
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	107,648,386	104,575,873
7. Net income of protected cells	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	2,945,938	7,263,937
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	10,481,660	10,622,986
10. Net realized capital gains (losses) less capital gains tax of \$ (560,518) (Exhibit of Capital Gains (Losses)).....	(1,040,963)	(139,441)
11. Net investment gain (loss) (Lines 9 + 10)	9,440,697	10,483,545
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$693 amount charged off \$663,763)	(663,069)	(357,361)
13. Finance and service charges not included in premiums	517,854	674,841
14. Aggregate write-ins for miscellaneous income	324,906	37,603
15. Total other income (Lines 12 through 14)	179,691	355,083
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	12,566,326	18,102,565
17. Dividends to policyholders	132,911	94,891
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)	12,433,415	18,007,674
19. Federal and foreign income taxes incurred	2,215,638	3,455,425
20. Net income (Line 18 minus Line 19) (to Line 22)	10,217,777	14,552,249
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	78,545,603	79,342,954
22. Net income (from Line 20)	10,217,777	14,552,249
23. Net transfers (to) from Protected Cell accounts	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (686,449)	(1,274,835)	(59,955)
25. Change in net unrealized foreign exchange capital gain (loss)	0	0
26. Change in net deferred income tax	(1,154,043)	(1,696,080)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	630,227	1,406,435
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	0	0
29. Change in surplus notes	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0
31. Cumulative effect of changes in accounting principles	636,995	0
32. Capital changes:		
32.1. Paid in	0	0
32.2. Transferred from surplus (Stock Dividend)	0	0
32.3. Transferred to surplus	0	0
33. Surplus adjustments:		
33.1. Paid in	0	0
33.2. Transferred to capital (Stock Dividend)	0	0
33.3. Transferred from capital	0	0
34. Net remittances from or (to) Home Office	0	0
35. Dividends to stockholders	(38,000,000)	(15,000,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	(592,207)	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(29,536,086)	(797,351)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	49,009,517	78,545,603
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401. Retroactive Reinsurance Gain.....	324,906	37,603
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)	324,906	37,603
3701. Additional Minimum Liability on Benefit Plan.....	(592,207)	0
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(592,207)	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	108,829,565	113,354,225
2. Net investment income.....	11,077,667	10,826,548
3. Miscellaneous income.....	179,691	355,083
4. Total (Lines 1 through 3).....	120,086,923	124,535,856
5. Benefit and loss related payments.....	58,324,317	59,398,862
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	46,320,188	46,505,822
8. Dividends paid to policyholders.....	148,464	76,410
9. Federal and foreign income taxes paid (recovered) net of \$ (776,428) tax on capital gains (losses).....	1,726,821	3,546,297
10. Total (Lines 5 through 9).....	106,519,790	109,527,390
11. Net cash from operations (Line 4 minus Line 10).....	13,567,133	15,008,466
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	54,603,920	43,244,681
12.2 Stocks.....	0	800,800
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	148,000	140,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	8,476	0
12.7 Miscellaneous proceeds.....	12,211	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	54,772,607	44,185,481
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	18,847,880	43,008,011
13.2 Stocks.....	3,000,000	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	37,950	138,500
13.6 Miscellaneous applications.....	815,424	10,005
13.7 Total investments acquired (Lines 13.1 to 13.6).....	22,701,254	43,156,516
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).....	32,071,353	1,028,965
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.....	38,000,000	15,000,000
16.6 Other cash provided (applied).....	(2,407,147)	1,129,987
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(40,407,147)	(13,870,013)
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).....	5,231,338	2,167,419
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	2,167,419	0
19.2 End of year (Line 18 plus Line 19.1).....	7,398,757	2,167,419

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS EARNED

Lines of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	2,402,986	1,094,228	1,278,097	2,219,117
2.	Allied lines	1,780,105	809,021	940,802	1,648,325
3.	Farmowners multiple peril	611,039	309,864	297,311	623,592
4.	Homeowners multiple peril	13,899,183	8,282,259	6,179,634	16,001,808
5.	Commercial multiple peril	11,767,532	6,188,769	5,736,767	12,219,534
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	(1)	0	0	(1)
9.	Inland marine	1,393,967	767,392	689,880	1,471,479
10.	Financial guaranty	0	0	0	0
11.1	Medical malpractice - occurrence	25,546	14,413	13,074	26,886
11.2	Medical malpractice - claims-made	1,806	1,756	793	2,769
12.	Earthquake	241,154	497,648	338,163	400,639
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	190	143,864	135,645	8,409
16.	Workers' compensation	2,591,566	1,426,672	1,183,335	2,834,903
17.1	Other liability - occurrence	4,526,486	2,195,919	2,132,881	4,589,525
17.2	Other liability - claims-made	767,188	354,568	327,654	794,102
18.1	Products liability - occurrence	111,580	56,559	54,583	113,557
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	29,622,417	7,831,810	7,261,454	30,192,773
19.3,19.4	Commercial auto liability	6,867,918	3,801,534	3,276,648	7,392,804
21.	Auto physical damage	21,184,840	6,067,082	5,584,645	21,667,277
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	16,061	9,874	7,785	18,150
24.	Surety	9,002,573	4,310,945	4,950,209	8,363,309
26.	Burglary and theft	4,290	2,570	2,117	4,744
27.	Boiler and machinery	413	0	0	413
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Warranty	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Property	213	0	0	213
32.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0
35.	TOTALS	106,819,052	44,166,748	40,391,476	110,594,324
DETAILS OF WRITE-INS					
3401.	.....			
3402.	.....			
3403.	.....			
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	1,278,197	(100)		.0	1,278,097
2.	Allied lines	942,729	(1,927)		.0	940,802
3.	Farmowners multiple peril	297,311	.0		.0	297,311
4.	Homeowners multiple peril	6,180,076	(442)		.0	6,179,634
5.	Commercial multiple peril	5,736,767	.0		.0	5,736,767
6.	Mortgage guaranty .....	.0	.0		.0	.0
8.	Ocean marine .....	.0	.0		.0	.0
9.	Inland marine	689,867	13		.0	689,880
10.	Financial guaranty .....	.0	.0		.0	.0
11.1	Medical malpractice - occurrence	13,074	.0		.0	13,074
11.2	Medical malpractice - claims-made	793	.0		.0	793
12.	Earthquake	338,294	(131)		.0	338,163
13.	Group accident and health .....	.0	.0		.0	.0
14.	Credit accident and health (group and individual) .....	.0	.0		.0	.0
15.	Other accident and health	135,645	.0		.0	135,645
16.	Workers' compensation	1,191,739	.1		(8,406)	1,183,335
17.1	Other liability - occurrence	2,128,249	4,631		.0	2,132,881
17.2	Other liability - claims-made	329,906	(151)		(2,101)	327,654
18.1	Products liability - occurrence	54,583	.0		.0	54,583
18.2	Products liability - claims-made .....	.0	.0		.0	.0
19.1,19.2	Private passenger auto liability	7,263,136	31		(1,713)	7,261,454
19.3,19.4	Commercial auto liability	3,276,648	.0		.0	3,276,648
21.	Auto physical damage	5,584,617	28		.0	5,584,645
22.	Aircraft (all perils) .....	.0	.0		.0	.0
23.	Fidelity	7,034	.751		.0	7,785
24.	Surety	2,779,269	2,170,940		.0	4,950,209
26.	Burglary and theft	2,117	.0		.0	2,117
27.	Boiler and machinery .....	.0	.0		.0	.0
28.	Credit .....	.0	.0		.0	.0
29.	International .....	.0	.0		.0	.0
30.	Warranty.....	.0	.0		.0	.0
31.	Reinsurance - Nonproportional Assumed Property ..					.0
32.	Reinsurance - Nonproportional Assumed Liability ...					.0
33.	Reinsurance - Nonproportional Assumed Financial Lines .....					.0
34.	Aggregate write-ins for other lines of business .....	.0	.0	.0	.0	.0
35.	TOTALS	38,230,051	2,173,645	0	(12,220)	40,391,476
36.	Accrued retrospective premiums based on experience					12,220
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					40,403,696
	DETAILS OF WRITE-INS					
3401.	.....				
3402.	.....				
3403.	.....				
3498.	Sum. of remaining write-ins for Line 34 from overflow page .....	.0	.0	.0	.0	.0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business		1 Direct Business (a)	Reinsurance Assumed		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	304,896	2,402,986	.0	304,896	.0	2,402,986
2.	Allied lines	106,250	1,780,105	.0	106,250	.0	1,780,105
3.	Farmowners multiple peril .....	.0	.611,039	.0	.0	.0	.611,039
4.	Homeowners multiple peril	1,094,868	13,899,183	.0	1,094,868	.0	13,899,183
5.	Commercial multiple peril .....	.0	11,767,532	.0	.0	.0	11,767,532
6.	Mortgage guaranty .....	.0	.0	.0	.0	.0	.0
8.	Ocean marine .....	.0	(1)	.0	.0	.0	(1)
9.	Inland marine	9,059	1,393,967	.0	9,059	.0	1,393,967
10.	Financial guaranty .....	.0	.0	.0	.0	.0	.0
11.1	Medical malpractice - occurrence .....	.0	25,546	.0	.0	.0	25,546
11.2	Medical malpractice - claims-made .....	.0	1,806	.0	.0	.0	1,806
12.	Earthquake	104	241,154	.0	104	.0	241,154
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	190	.0	.0	.0	190
16.	Workers' compensation .....	.0	2,591,566	.0	.0	.0	2,591,566
17.1	Other liability - occurrence	39,889	4,526,486	.0	39,889	.0	4,526,486
17.2	Other liability - claims-made .....	.0	.767,188	.0	.0	.0	.767,188
18.1	Products liability - occurrence .....	.0	111,580	.0	.0	.0	111,580
18.2	Products liability - claims-made .....	.0	.0	.0	.0	.0	.0
19.1,19.2	Private passenger auto liability	31,449,031	29,622,417	.0	31,449,031	.0	29,622,417
19.3,19.4	Commercial auto liability	13,558,479	6,867,918	.0	13,558,479	.0	6,867,918
21.	Auto physical damage	30,476,601	21,184,840	.0	30,476,601	.0	21,184,840
22.	Aircraft (all perils) .....	.0	.0	.0	.0	.0	.0
23.	Fidelity .....	.0	16,061	.0	.0	.0	16,061
24.	Surety .....	.0	9,002,573	.0	.0	.0	9,002,573
26.	Burglary and theft .....	.0	4,290	.0	.0	.0	4,290
27.	Boiler and machinery .....	.0	413	.0	.0	.0	413
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	213	.0	.0	.0	213
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	77,039,177	106,819,052	0	77,039,177	0	106,819,052
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	6	7	8
		1	2	3	4				
		Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred to Premiums Earned (Col. 4, Part 1)
1.	Fire	217,224	1,137,302	217,224	1,137,302	627,990	428,959	1,336,333	60.2
2.	Allied lines	131,464	1,157,501	131,464	1,157,501	449,579	499,579	1,107,723	67.2
3.	Farmowners multiple peril	0	348,598	0	348,598	140,657	168,139	321,116	51.5
4.	Homeowners multiple peril	1,379,771	10,252,021	1,379,597	10,252,195	4,451,391	3,630,294	11,073,292	69.2
5.	Commercial multiple peril	0	6,888,344	0	6,888,344	10,518,913	10,258,991	7,148,266	58.5
6.	Mortgage guaranty	0	0	0	0	0	0	0	0.0
7.	Ocean marine	0	230	0	230	2,578	2,990	0	0.0
8.	Inland marine	6,619	556,975	6,619	556,975	133,792	113,581	577,186	39.2
9.	Financial guaranty	0	0	0	0	5	21	0	0.0
10.	Medical malpractice - occurrence	0	3,365	0	3,365	33,230	31,462	5,133	19.1
11.1	Medical malpractice - occurrence	0	4,281	0	4,281	15,049	21,019	(1,689)	(61.0)
11.2	Medical malpractice - claims-made	0	156	0	156	2,547	3,076	(373)	(0.1)
12.	Earthquake	0	0	0	0	0	0	0	0.0
13.	Group accident and health	0	0	0	0	0	0	0	0.0
14.	Credit accident and health (group and individual)	0	0	0	0	0	0	0	0.0
15.	Other accident and health	0	13,271	0	13,271	165,042	187,691	(9,378)	(111.5)
16.	Workers' compensation	0	1,896,214	0	1,896,214	12,594,272	13,758,726	731,760	25.8
17.1	Other liability - occurrence	0	1,809,661	0	1,809,661	7,922,019	7,788,925	1,942,755	42.3
17.2	Other liability - claims-made	0	599,667	0	599,667	935,715	1,085,485	449,897	56.7
18.1	Products liability - occurrence	0	63,620	0	63,620	269,906	249,534	83,992	74.0
18.2	Products liability - claims-made	0	0	0	0	31	3	28	0.0
19.1	Private passenger auto liability	17,358,620	17,843,809	17,358,620	17,843,809	24,854,342	25,310,773	17,387,378	57.6
19.3, 19.4	Commercial auto liability	3,507,586	3,321,480	3,507,586	3,321,480	7,989,737	6,575,661	4,735,556	64.1
21.	Auto physical damage	17,265,762	12,507,824	17,265,762	12,507,824	819,591	686,184	12,641,231	58.3
22.	Aircraft (all perils)	0	9,720	0	9,720	16,073	13,960	11,833	0.0
23.	Fidelity	0	2,651	0	2,651	3,199	2,806	3,044	16.8
24.	Surety	0	440,303	0	440,303	1,629,124	1,239,084	830,343	9.9
26.	Burglary and theft	0	171	0	171	631	493	309	6.5
27.	Boiler and machinery	0	0	0	0	978	913	65	15.7
28.	Credit	0	0	0	0	0	0	0	0.0
29.	International	0	0	0	0	0	0	0	0.0
30.	Warranty	0	0	0	0	0	0	0	0.0
31.	Reinsurance - Nonproportional Assumed Property	XXX	422,550	0	422,550	0	0	422,550	198,380.3
32.	Reinsurance - Nonproportional Assumed Liability	XXX	0	0	0	3,968,887	4,350,436	(381,549)	0.0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	0	0	0	0.0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35.	TOTALS	39,867,036	59,279,714	39,866,862	59,279,888	77,545,500	76,408,786	60,416,602	54.6
DETAILS OF WRITE-INS									
3401.									
3402.									
3403.									
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

	Reported Losses					Incurred But Not Reported			8	9
	1	2	3	4	5	6	7			
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses	
1. Fire	14,187	515,240	14,187	515,240	8,758	112,750	8,758	627,990	45,618	
2. Allied lines	8,170	333,884	8,170	333,884	5,173	115,917	5,173	449,801	64,655	
3. Farmowners multiple peril										
4. Homeowners multiple peril	255,565	121,303		121,303		19,354		140,657	59,947	
5. Commercial multiple peril		3,347,481	255,565	3,347,481	91,049	1,103,910	91,049	4,451,391	693,614	
6. Mortgage guaranty	0	6,525,768	0	6,525,768	0	3,993,145	0	10,518,913	5,089,229	
7. Ocean marine	0	0	0	0	0	0	0	0	0	
8. Inland marine	0	386	0	386	0	2,192	0	2,578	1	
9. Financial guaranty	0	78,025	0	78,025	804	55,767	804	133,792	32,718	
10. Medical malpractice - occurrence	0	0	0	0	0	5	0	5	9	
11.1 Medical malpractice - claims-made	0	21,349	0	21,349	0	11,881	0	33,230	11,638	
11.2	0	8,200	0	8,200	0	6,849	0	15,049	6,117	
12. Earthquake	0	700	0	700	(18)	1,847	(18)	2,547	2,143	
13. Group accident and health	0	0	0	0	0	0	0	(a)	0	
14. Credit accident and health (group and individual)	0	0	0	0	0	0	0	0	0	
15. Other accident and health	0	173,655	0	173,655	0	(8,613)	0	165,042	0	
16. Workers' compensation	0	9,351,682	0	9,351,682	0	3,242,590	0	12,594,272	1,831,267	
17.1 Other liability - occurrence	50,000	3,006,068	50,000	3,006,068	(19,688)	4,915,951	(19,688)	7,922,019	2,990,647	
17.2 Other liability - claims-made	0	380,441	0	380,441	0	555,274	0	935,715	424,808	
18.1 Products liability - occurrence	0	224,388	0	224,388	0	45,518	0	269,906	138,161	
18.2 Products liability - claims-made	0	0	0	0	0	31	0	31	7	
19.1,19.2 Private passenger auto liability	17,568,177	19,854,959	17,568,177	19,854,959	5,654,502	4,999,383	5,654,502	24,854,342	4,063,336	
19.3,19.4 Commercial auto liability	10,489,799	5,737,334	10,489,799	5,737,334	3,988,818	2,252,403	3,988,818	7,989,737	1,179,438	
21. Auto physical damage	272,259	108,356	272,259	108,356	1,246,536	711,235	1,246,536	819,591	284,210	
22. Aircraft (all perils)	0	15,801	0	15,801	0	272	0	16,073	0	
23. Fidelity	0	2,564	0	2,564	0	635	0	3,199	513	
24. Surety	0	(606,997)	0	(606,997)	0	2,236,121	0	1,629,124	1,122,280	
26. Burglary and theft	0	12	0	12	0	619	0	631	336	
27. Boiler and machinery	0	0	0	0	0	978	0	978	602	
28. Credit	0	0	0	0	0	0	0	0	0	
29. International	0	0	0	0	0	0	0	0	0	
30. Warranty	0	0	0	0	0	0	0	0	0	
31. Reinsurance - Nonproportional Assumed Property	XXX	0	0	0	XXX	0	0	0	0	
32. Reinsurance - Nonproportional Assumed Liability	XXX	2,429,369	0	2,429,369	XXX	1,539,518	0	3,968,887	35,472	
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	XXX	0	0	0	0	
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0	
TOTALS	28,658,157	51,629,968	28,658,157	51,629,968	10,975,934	25,915,532	10,975,934	77,545,500	18,076,766	
DETAILS OF WRITE-INS										
3401.										
3402.										
3403.										
3498.										
3499.										
Summary of remaining write-ins for Line 34 from overflow page					0	0	0	0	0	
Totals (Lines 3401 through 3403 + 3498) (Line 34 above)					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	1,019,731			1,019,731
1.2 Reinsurance assumed	3,850,909			3,850,909
1.3 Reinsurance ceded	1,019,731			1,019,731
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	3,850,909	0	0	3,850,909
2. Commission and brokerage:				
2.1 Direct, excluding contingent		10,154,614		10,154,614
2.2 Reinsurance assumed, excluding contingent		15,381,707		15,381,707
2.3 Reinsurance ceded, excluding contingent		10,154,614		10,154,614
2.4 Contingent-direct		768,525		768,525
2.5 Contingent-reinsurance assumed		1,506,873		1,506,873
2.6 Contingent-reinsurance ceded		768,525		768,525
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	16,888,580	0	16,888,580
3. Allowances to manager and agents	177,387	219,932	4	397,323
4. Advertising	6,752	309,160		315,912
5. Boards, bureaus and associations	43	238,531		238,574
6. Surveys and underwriting reports	368,689	768,870	27	1,137,586
7. Audit of assureds' records			0	0
8. Salary and related items:				
8.1 Salaries	4,603,042	5,503,280	208,554	10,314,876
8.2 Payroll taxes	335,203	382,794	2,031	720,028
9. Employee relations and welfare	659,575	1,103,318	4,312	1,767,205
10. Insurance	241,014	124,768		365,782
11. Directors' fees		32,417		32,417
12. Travel and travel items	339,502	380,739	718	720,959
13. Rent and rent items	584,394	777,235	1,155	1,362,784
14. Equipment	89,508	127,259	141	216,908
15. Cost or depreciation of EDP equipment and software	561,943	1,064,835	3,488	1,630,266
16. Printing and stationery	30,924	73,223	7,496	111,643
17. Postage, telephone and telegraph, exchange and express	212,169	498,292	288	710,749
18. Legal and auditing	653,892	1,334,659	10,841	1,999,392
19. Totals (Lines 3 to 18)	8,864,037	12,939,312	239,055	22,042,404
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 49,333		2,014,501		2,014,501
20.2 Insurance department licenses and fees		256,728		256,728
20.3 Gross guaranty association assessments		110,530		110,530
20.4 All other (excluding federal and foreign income and real estate)		1,287,327		1,287,327
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	3,669,086	0	3,669,086
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans		(1,318)		(1,318)
24. Aggregate write-ins for miscellaneous expenses	0	41,186	0	41,186
25. Total expenses incurred	12,714,946	33,536,846	239,055	(a) 46,490,847
26. Less unpaid expenses - current year	18,076,766	9,429,598		27,506,364
27. Add unpaid expenses - prior year	18,192,060	8,704,939	0	26,896,999
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)	12,830,240	32,812,187	239,055	45,881,482
DETAILS OF WRITE-INS				
2401. Charitable Contributions		41,186		41,186
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	41,186	0	41,186

(a) Includes management fees of \$18,736 to affiliates and \$1,644 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....638,477	.....625,309
1.1	Bonds exempt from U.S. tax	(a) .....5,201,020	.....5,040,479
1.2	Other bonds (unaffiliated)	(a) .....5,002,124	.....4,636,582
1.3	Bonds of affiliates	(a) .....0	.....0
2.1	Preferred stocks (unaffiliated)	(b) .....81,492	.....142,450
2.11	Preferred stocks of affiliates	(b) .....0	.....
2.2	Common stocks (unaffiliated) .....	.....0	.....
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) .....185,419	.....189,384
7.	Derivative instruments	(f) .....0	.....
8.	Other invested assets .....	.....0	.....
9.	Aggregate write-ins for investment income .....	.....86,510	.....86,510
10.	Total gross investment income	11,195,042	10,720,714
11.	Investment expenses		(g) .....239,054
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) .....		.....239,054
17.	Net investment income (Line 10 minus Line 16)		10,481,660
DETAILS OF WRITE-INS			
0901.	Securities Lending Income.....	.....34,181	.....34,181
0902.	Miscellaneous Interest Income.....	.....52,329	.....52,329
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)	86,510	86,510
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 \$349,318 accrual of discount less \$470,996 amortization of premium and less \$163,393 paid for accrued interest on purchases.
(b) Includes \$0 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 \$47,418 accrual of discount less \$ amortization of premium and less \$1,915 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	(9,843)	0	(9,843)		
1.1	Bonds exempt from U.S. tax	(9,966)	(22,287)	(32,253)		
1.2	Other bonds (unaffiliated)	(400,162)	(376,603)	(776,765)	(1,391,456)	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	(570,000)	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	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	0	0	0	0
6.	Cash, cash equivalents and short-term investments	8,476	(815,423)	(806,947)		
7.	Derivative instruments			0		
8.	Other invested assets	24,327	0	24,327	173	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	(387,168)	(1,214,313)	(1,601,481)	(1,961,283)	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	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	592,979	766,139	173,160
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	32,500	33,527	1,027
13.3 Accrued retrospective premiums.....	5,189	4,527	(662)
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.....	5,926,742	6,384,468	457,726
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	9,320	8,296	(1,024)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	6,566,730	7,196,957	630,227
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	6,566,730	7,196,957	630,227
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. Miscellaneous Accounts Receivable.....	7,820	7,700	(120)
2302. Prepaid Expenses.....	596	596	0
2303. Other Assets.....	904	0	(904)
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)	9,320	8,296	(1,024)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

B. Use of Estimates

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

C. Accounting Policies

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

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

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office.
2. Bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) are stated at cost or amortized cost; all other bonds are stated at the lower of amortized cost or fair value. The fair values of investments in bonds are based on quoted market prices by third-party organizations when available or NAIC investment values. NAIC investment values are determined using the *Valuations of Securities* manual published by the NAIC Securities Valuation Office (SVO). For bonds not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting the expected future cash flows using current market rates applicable to the coupon rate, credit, and maturity of the investments. Amortization of bond premium and discount is calculated using the effective-yield method. The retrospective-adjustment method is used to value all mortgage-backed and asset-backed securities. Using this method, anticipated prepayments are considered when determining the amortization of discount or premium for loan-backed bonds. Prepayment assumptions are obtained from dealer survey values or internal estimates and are consistent with the current interest rate and economic environment.
3. Unaffiliated common stocks are stated at fair value and the related net unrealized capital gains (losses) are reported in unassigned surplus along with an adjustment for federal income taxes. Fair values of investments in common stocks are based on quoted market prices by third-party organizations when available or NAIC investment values. For stocks that are not actively traded, estimated fair values are based on values of issues with comparable yield and quality.
4. Highest quality and high-quality redeemable preferred stocks (NAIC designations RP1 and RP2) which have characteristics of debt securities are valued at cost or amortized cost. All other redeemable preferred stocks (NAIC designations RP3 to RP6) are reported at the lower of cost, amortized cost or fair value.

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

NOTES TO FINANCIAL STATEMENTS

5. Mortgage Loans

The Company does not have any investments in mortgage loans.

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

7. The Company 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.

NOTES TO FINANCIAL STATEMENTS

Environmental and Other Toxic Tort Claims:

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

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

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

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

12. Capitalization Policy

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

13. Pharmaceutical Rebate Receivables

The Company has no pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors

In September 2008, the Company changed its reserve methodology and began discounting its workers' compensation reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers' compensation claims. See Note 31 regarding Discounting of Liabilities for Unpaid Losses. The cumulative effect of this change in reserve method was recorded in 2008 as an increase in unassigned funds (surplus) of \$637,000. The impact of this change was an increase in 2008 unassigned funds (surplus) of \$637,000, a reduction in the reserve for unpaid losses of \$980,000 and a decrease in the federal income tax recoverable of \$343,000.

3. Business Combinations and Goodwill

A. Statutory purchase method

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

B. Statutory mergers

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

C. Impairment loss

Not Applicable

4. Discontinued Operations

The Company had no discontinued operations to report.

5. Investments

A. Mortgage loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

The Company has no reverse mortgages

D. Loan-backed securities

1. Amortization of bond premium and discount is calculated using the effective-yield method. The retrospective-adjustment method is used to value all mortgage-backed and asset-backed securities. Using this method, anticipated prepayments are considered when determining the amortization of discount or premium for loan-backed securities.
2. Prepayment assumptions are obtained from dealer survey values or internal estimates and are consistent with the current interest rate and economic environment.

NOTES TO FINANCIAL STATEMENTS

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

The Company did not enter into any repurchase agreements during the year.
- F. Real estate impairments and retail land sales
 - The Company did not recognize an impairment loss on real estate.
 - The Company did not sell or reclassify any real estate during 2008.
 - The Company has not experienced a change to a plan of sale for an investment in real estate.
 - 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 did not have any nonadmitted amounts related to 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	11,482,641	12,175,068	(692,427)
Total of deferred tax liabilities	(212,625)	(185,458)	(27,167)
Net deferred tax asset (liability)	11,270,016	11,989,610	(719,594)
Net deferred tax asset non-admitted	(5,926,742)	(6,384,469)	457,727
Net admitted deferred tax asset (liability)	5,343,274	5,605,141	(261,867)

- 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	2,215,638	3,455,425
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	2,215,638	3,455,425
Tax on capital gains	(560,518)	(80,525)
Total income tax incurred	1,655,120	3,374,900

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)	(1,406,043)
Tax effect of unrealized (gains) losses	686,449
Total change in net deferred income tax	(719,594)

- 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 \$1,696,322 from the current year and \$3,656,230 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.	

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

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 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

- On November 7, 2008, the Company declared dividends in the amount of \$38,000,000 which were paid to Safeco Corporation on December 30, 2008.
- The Company issued the following material loans to Safeco Insurance Company of America in 2008.
 - On July 31, 2008, the Company loaned overnight invested funds in the amount of \$3,495,000.
 - On August 31, 2008, the Company loaned overnight invested funds in the amount of \$3,560,000.
 - On September 30, 2008, the Company loaned overnight invested funds in the amount of \$4,250,000.
 - On October 31, 2008, the Company loaned overnight invested funds in the amount of \$5,325,000.
 - On November 30, 2008, the Company loaned overnight invested funds in the amount of \$2,435,000.
 - On December 31, 2008, the Company loaned overnight invested funds in the amount of \$2,570,000.
- The Company sold bond investments to Safeco Corporation in exchange for cash totaling \$36,205,767 on December 19, 2008. A loss was realized on the transaction of \$389,207.

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	\$359,420	(\$1,277,017)
Intercompany Expense Sharing	(\$1,479,567)	(\$1,254,223)
Overnight Invested Funds	\$2,570,000	\$1,855,000

E. Guarantees or Contingencies for Related Parties

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

F. Management or Service Contracts and Cost Sharing Arrangements

- 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.
- Liberty Mutual Investment Advisors LLC (LMIA) and Liberty Mutual Insurance Company (LMIC) are members of Liberty Mutual Group and each provide investment management services to affiliates. Effective September 22, 2008, American States Preferred Insurance Company entered into Investment Management Agreements with LMIA and LMIC, respectively. The Investment Management Agreements specify the services to be performed by LMIA and LMIC, the authority granted to LMIA and LMIC, the investment policy and guidelines, and the compensation to be paid. The Investment Management Agreements also contain customary provisions on termination, amendment, choice of law, and assignment. Investment fees Payable to LMIC totaled \$ 18,736 as of December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

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

G. Nature of Relationships that Could Affect Operations

The Company participates in an intercompany pooling agreement with its affiliates, as described in Note 25, whereby it retains 2% of the net premiums, losses and associated assets and liabilities of the Safeco Insurance Companies. The operating results or financial position of the Company could be significantly different from those results reported in these statements if it operated without the intercompany pooling agreement. The intercompany pooling agreement was terminated effective January 1, 2009. Effective January 1, 2009, the existing Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. The Company's participation percentage in the PIC agreement is 0.8%.

H. Amount Deducted for Investment in Upstream Company

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

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

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

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

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

K. Investment in a foreign insurance subsidiary

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

L. Investment in Downstream Holding Company

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

11. Debt

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

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

A. Defined Benefit Plans

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

B. Defined Contribution Plans

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

C. Multiemployer Plans

Not Applicable

NOTES TO FINANCIAL STATEMENTS

D. Consolidated/Holding Company Plans

The Parent sponsors a cash balance defined benefit pension plan covering a wide range of Company employees. Benefit accruals in the plan consist of pay credits, based on each eligible participant's compensation, plus a stipulated rate of return on their benefit balance. Pay credits were provided for the years 1989 through 2007 and ceased effective January 1, 2008. The Parent terminated the cash balance plan effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The Parent's funding policy is to contribute amounts at least sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act (ERISA) that can be deducted for federal income tax purposes. Pension costs are subject to the intercompany pooling agreement described in Note 25 and are charged to the Company based on a percentage of payroll. These costs amounted to \$604,000 and \$11,141,000 in 2008 and 2007, respectively. In 2008, an additional minimum liability of \$592,207 was recognized in accordance with SSAP 89 and is reported as a component of unassigned funds(surplus). The 2007 costs included a one-time recognition of liabilities for the vesting and plan freeze changes adopted in 2007. In 2007, the prepaid cash balance plan, which was reported as a non-admitted asset, was decreased by \$33,759,000, which included a one-time curtailment loss of \$25,000,000. The Company has no legal obligation for benefits under this plan.

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

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

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

E. Postemployment Benefits and Compensated Absences

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

F. Impact of Medicare Modernization Act on Post Retirement Benefits

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

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

1. Outstanding shares

The Company has 1,000 shares of \$5,000.00 par value common stock authorized and 1,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

2. Dividend rate of preferred stock

Not Applicable

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

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

NOTES TO FINANCIAL STATEMENTS

4. Dividend Payments

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

Date Declared	Date Paid	Amount Paid	Ordinary	Extraordinary
11/07/2008	12/30/2008	\$ 14,552,249	X	
11/07/2008	12/30/2008	\$ 23,447,751		X

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

The Company may pay up to \$10,217,777 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 decreased by \$933,503 of cumulative unrealized capital losses.

11. Surplus notes

The Company does not have surplus notes.

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

The Company did not have any quasi-reorganizations.

14. Contingencies

A. Contingent commitments

1. The Company has purchased annuities from life insurers under structured settlements in which the claimants are payees (see Note 26A). In cases where the Company is contingently liable if the issuers of these annuities fail to perform under the terms of the annuities, the Company does not reduce its unpaid losses.
2. As of December 31, 2008, the Company has no remaining commitments to invest in partnerships and limited liability companies.
3. The Company has no guarantees or undertakings for the benefit of any affiliate which result in material contingent exposure of the Company’s assets, as indicated in Note 10E.

B. Guaranty fund and other assessments

1. The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies as they become known to the Company and if they are material. Other assessments are accrued at the time of assessment, or, in the case of loss based assessments, at the time the losses are incurred. As of December 31, 2008, the Company has accrued a liability for guaranty fund and other assessments of \$228,608 and a related premium tax benefit asset of \$155,809. The amounts represent management’s best estimates based on information received from the states in which the Company writes business and may change due to many factors including the Company’s share of the ultimate cost of current insolvencies.

NOTES TO FINANCIAL STATEMENTS

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

As a new participating insurer of the CEA, the CEA assessed the Company and its affiliates an initial capital contribution of \$46,500,000 based on the Company’s and its affiliates’ combined share of the market for CEA residential earthquake insurance. The initial assessment will be paid by the Company and its affiliates in twelve equal monthly installments beginning in December 2008. The assessment is subject to the intercompany pooling agreement described in Note 25 and was expensed by the Company and its affiliated property and casualty insurance companies in 2008 based on the applicable participation percentages. The Company’s share of the initial CEA assessment expense was \$930,000. The first installment payment was made in December 2008 and the remaining installments will be paid in 2009.

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

C. Gain contingencies

Not Applicable

D. Extra Contractual Obligation and Bad Faith Losses

The Company 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 \$1,205,837 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.

NOTES TO FINANCIAL STATEMENTS

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

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

C. Wash sales

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

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

A. Administrative services only (ASO) plans

Not Applicable

B. Administrative services contract (ASC) plans

In 2008, Safeco Insurance Company of America and its affiliated property and casualty insurance companies agreed to become a participating insurer of the California Earthquake Authority ("CEA"), a publicly-managed, privately-funded organization that provides residential earthquake insurance in California. As a participating insurer of the CEA, Safeco and its affiliates act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the Company for commissions and claims paid on behalf of the CEA. The Company also receives an administrative fee equal to 3% of premium and 9% of claims paid. In 2008, the Company recorded CEA administrative fees of \$1,318.

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 \$7,082,000 at December 31, 2008 were on deposit with government authorities or trustees as required by law. There were no assets held at December 31, 2008 that were maintained as compensating balances or pledged as collateral for bank loans and other financing agreements.

In 2007, Safeco Insurance Company of America and General Insurance Company of America made non-revocable, non-refundable contributions to the Safeco Insurance Foundation of highly appreciated marketable equity securities. Expenses for these contributions are subject to the intercompany pooling agreement described in Note 25. Contribution expense allocated to the Company amounted to \$1,200,000 in 2007. The Company made no contribution to the Safeco Insurance Foundation in 2008.

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

NOTES TO FINANCIAL STATEMENTS

As a result of the acquisition by LIH US P&C Corporation, the Company incurred \$173,000 in stock-based compensation expense in 2008 due to the acceleration of the vesting provisions contained in stock-based compensation plans.

The acquisition by LIH US P&C Corporation, in combination with certain actions taken after the acquisition, resulted in triggering the change in control agreements for certain senior members of management. As a result, the Company expensed \$781,000 for payments related to the change in control agreements.

In addition to the above expenses, the Company expensed \$1,066,000 in 2008 related to relocation, retention, severance, lease terminations, contract buyouts and other expenses as a result of the acquisition.

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

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

	PART A HO/FARM	PART B P AUTO	PART C C AUTO	PART D WC	PART E CMP	PART F1 MM-Occ	PART F2 MM-cm
PRIOR	14	255	95	3,373	1,828	0	0
Dec-94	1	2	1	379	113	0	0
Dec-95	4	2	2	420	92	0	0
Dec-96	13	5	3	306	132	0	0
Dec-97	2	10	4	508	139	1	0
Dec-98	15	25	23	865	170	1	0
TOTAL	49	300	128	5,852	2,473	1	0

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

	PART A HO/FARM	PART B P AUTO	PART C C AUTO	PART D WC	PART E CMP	PART F1 MM-Occ	PART F2 MM-cm
PRIOR	0	0	0	(88)	(0)	0	0
Dec-94	0	0	0	(4)	0	0	0
Dec-95	0	0	0	(27)	0	0	0
Dec-96	0	0	0	(15)	0	0	0
Dec-97	0	0	0	(12)	0	(0)	0
Dec-98	0	0	0	(13)	0	(0)	0
TOTAL	0	0	0	(158)	(0)	(0)	0

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

	PART A HO/FARM	PART B P AUTO	PART C C AUTO	PART D WC	PART E CMP	PART F1 MM-Occ	PART F2 MM-cm
PRIOR	14	255	95	3,285	1,828	0	0
Dec-94	1	2	1	376	113	0	0
Dec-95	4	2	2	393	92	0	0
Dec-96	13	5	3	292	132	0	0
Dec-97	2	10	4	496	139	1	0
Dec-98	16	25	23	852	170	1	0
TOTAL	49	300	128	5,694	2,473	1	0

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

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	16	2,422	0	0	7	21	151
Dec-94	0	5	3	1	1	0	0
Dec-95	0	16	1	0	2	0	0
Dec-96	0	79	(1)	1	2	7	0
Dec-97	0	63	7	0	2	0	0
Dec-98	3	35	2	22	3	6	0
TOTAL	19	2,620	12	23	17	34	151

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

	PARTG SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	0	(1)	0	0	(0)	(46)	0
Dec-94	0	(0)	0	0	0	(0)	0
Dec-95	0	(0)	0	0	0	(0)	0
Dec-96	0	(0)	0	0	0	(0)	0
Dec-97	0	(0)	0	0	0	(1)	0
Dec-98	0	(0)	(0)	0	1	(4)	0
TOTAL	0	(1)	(0)	0	1	(51)	0

NOTES TO FINANCIAL STATEMENTS

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

	PART G SP LIAB	PART H1 GL-Occ	PART H2 GL-cm	PART I PROP	PART J A PHYS	PART K SUR	PART L OTH
PRIOR	16	2,421	0	0	7	(24)	151
Dec-94	0	5	3	1	1	0	0
Dec-95	0	16	1	0	2	0	0
Dec-96	0	79	(1)	1	2	7	0
Dec-97	0	63	7	0	2	(1)	0
Dec-98	<u>3</u>	<u>35</u>	<u>2</u>	<u>22</u>	<u>4</u>	<u>1</u>	<u>0</u>
TOTAL	19	2,619	12	24	18	(17)	151

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

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	4,070	0	240	0	0	12,491
Dec-94	0	19	0	0	0	0	524
Dec-95	0	0	0	0	0	0	539
Dec-96	0	0	0	0	0	0	547
Dec-97	0	0	0	0	0	0	737
Dec-98	<u>0</u>	<u>0</u>	<u>0</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>1,190</u>
TOTAL	0	4,089	0	262	0	0	16,029

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

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	0	0	0	0	0	(135)
Dec-94	0	0	0	0	0	0	(4)
Dec-95	0	0	0	0	0	0	(27)
Dec-96	0	0	0	0	0	0	(15)
Dec-97	0	0	0	0	0	0	(13)
Dec-98	<u>0</u>	<u>0</u>	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>(0)</u>	<u>(15)</u>
TOTAL	0	0	0	(0)	0	(0)	(208)

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

	PART N REINS A	PART O REINS B	PART P REINS C	PART R1 PROD-Occ	PART R2 PROD-cm	PART S SUR-FG	TOTAL ALL LINES
PRIOR	0	4,070	0	240	0	0	12,356
Dec-94	0	19	0	0	0	0	521
Dec-95	0	0	0	0	0	0	512
Dec-96	0	0	0	0	0	0	533
Dec-97	0	0	0	0	0	0	724
Dec-98	<u>0</u>	<u>0</u>	<u>0</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>1,175</u>
TOTAL	0	4,089	0	262	0	0	15,820

D. Uncollectible premiums receivable

At December 31, 2008 and 2007, the Company had admitted assets of \$26,737,249 and \$28,450,948, respectively in premiums receivable due from policyholders and agents. The Company routinely assesses the collectibility of these receivables. Based on Company experience, the Company estimated the uncollectible premiums receivable and recorded an additional provision in the amount of \$263,981. At December 31, 2008, the additional provision for uncollectible premiums receivable represents the amount of expected uncollectible premiums in excess of the non-admitted premiums of \$630,668.

E. Business Interruption Insurance Recoveries

Not Applicable

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

NOTES TO FINANCIAL STATEMENTS

G. Hybrid Securities

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

CUSIP	Issuer	Description	Book/Adjusted Carry Value
94986EAA8	Wells Fargo	Capital Security	2,430,000

H. Subprime Mortgage Related Risk

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

2. Direct exposure through investments in subprime mortgage loans.

The Company has no mortgage loans.

3. Direct exposure through other investments.

The Company has subprime exposure through other investments.

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities				
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities	\$823,215	\$823,215	\$755,050	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.

NOTES TO FINANCIAL STATEMENTS

22. Reinsurance

A. Unsecured Reinsurance Recoverables

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

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

Assets and liabilities related to insurance underwriting are similarly shared.

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

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

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

B. Reinsurance Recoverables in Dispute

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

C. Reinsurance Assumed and Ceded

1)		Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
		(1) Premium Reserve	(2) Commission Equity	(3) Premium Reserve	(4) Commission Equity	(5) Premium Reserve	(6) Commission Equity
a.	Affiliates	\$ 40,391,476	\$ 5,823,085	\$ 24,603,124	\$ 3,242,963	\$ 15,788,352	\$ 2,580,122
b.	All Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	TOTAL	\$ 40,391,476	\$ 5,823,085	\$ 24,603,124	\$ 3,242,963	\$ 15,788,352	\$ 2,580,122

d. Direct Unearned Premium Reserve: \$ 24,603,124

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	\$ 1,069,198	\$ -	\$ -	\$ 1,069,198
b.	Sliding Scale Adjustments	-	-	-	-
c.	Other Profit Commission Arrangements	-	-	-	-
d.	TOTAL	\$ 1,069,198	\$ -	\$ -	\$ 1,069,198

3) The Company does not have protected cells.

D. Uncollectible Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements.

G. Reinsurance Accounted for as a Deposit

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

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method used to estimate

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

B. Method used to record

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

C. Amount and percent of net retrospective premiums

Net premiums written for 2008 on retrospective workers compensation policies was \$35,615 or 1.4% of total workers compensation net premiums written.

D. Calculation of nonadmitted accrued retrospective premiums

a.	Total accrued retro premium	\$ 51,893
b.	Unsecured amount	893
c.	Less: Nonadmitted amount (10%)	5,189
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount: a - c - d	<u>\$ 46,704</u>

24. Change in Incurred Losses and Loss Adjustment Expenses

In 2008, we reduced our estimates for prior years' loss and LAE reserves by \$2.9 million. This total decrease includes loss and defense and cost containment expenses changes as follows:

- \$1.1 million reduction in surety reserves reflecting lower-than-expected number of claims.
- \$0.4 million reduction in other liability - occurrence driven primarily by favorable development of \$0.3 million due to lower-than-expected claim number in construction defect.
- \$1.2 million reduction in private passenger auto liability reserves, reflecting decreases in severity estimates primarily in accident years 2005 through 2007.
- \$0.6 million reduction in commercial multiple peril reserves. This includes a reduction in construction defect reserves of \$0.2 million reflecting lower-than-expected number of claims. The remaining decrease was due to lower-than-expected claim severity in property and liability.
- \$0.3 million reduction in other liability – claims-made due to a decrease due to lower-than-expected claim severity.
- \$0.4 million increase in commercial auto/truck liability reserves reflecting increases in severity estimates for prior accident years.

The remaining \$0.3 million increase was in a number of lines including adjusting and other payments. This increase is due to emerging claim trends and related loss data.

NOTES TO FINANCIAL STATEMENTS

25. Intercompany Pooling Arrangements

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

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

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

Effective January 1, 2009, the existing Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. The Company’s percentage in the PIC pool is 0.80%.

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%	

NOTES TO FINANCIAL STATEMENTS

100% Quota Share				
Affiliated	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
Companies:				
	Bridgefield Casualty Insurance Company (BEIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

- B. All lines and types of business are subject to the agreement. Assets and liabilities related to insurance underwriting are similarly shared.
- C. After cessions to unaffiliated reinsurers are applied, Safeco Insurance Company of America cedes a fixed portion of premiums, losses and insurance expenses to the affiliated property and casualty insurance companies according to the participation percentages detailed in item A above.
- D. The lead company and American States Insurance Company are the only affiliates that participate in reinsurance agreements whereby risk is ceded to unaffiliated reinsurers.
- E. There are no discrepancies between entries regarding pooled business assumed and ceded reinsurance schedules of the lead company and corresponding entries on the assumed and ceded reinsurance schedules of the other participants.
- F. The lead company and American States Insurance Company carry 100% of the Provision for Reinsurance. Any write-offs of uncollectible ceded reinsurance from unaffiliated reinsurers are applied and ceded to the participants in accordance with the provisions of the intercompany reinsurance agreement.
- 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 \$597,210 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

NOTES TO FINANCIAL STATEMENTS

30. High Deductibles

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

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

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

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

At December 31, 2008, the liabilities for workers’ compensation unpaid losses include \$13,574,264 of liabilities carried at a discounted value of \$12,594,272 representing a discount of \$979,992.

A. Tabular Discounts

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	(1) Case	(2) IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers’ Compensation		\$979,992
5. Commercial Multiple Peril		
6. Medical Malpractice - occurrence		
7. Medical Malpractice - claims-made		
8. Special Liability		
9. Other Liability – occurrence		
10. Other Liability - claims-made		
11. Special Property		
12. Auto Physical Damage		
13. Fidelity, Surety		
14. Other (including Credit, Accident & Health)		
15. International		
16. Reinsurance Nonproportional Assumed Property		
17. Reinsurance Nonproportional Assumed Liability		
18. Reinsurance Nonproportional Assumed Financial Lines		
19. Products Liability – occurrence		
20. Products Liability - claims-made		
21. Financial Guaranty/Mortgage Guaranty		
22. Total		

B. Non-tabular discounts

Not Applicable

C. Changes in discount assumptions

Not Applicable

32. Asbestos and Environmental Reserves

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

ASBESTOS

A. (1) Direct	(1)	(2)	(3)	(4)	(5)	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
	a. Beginning reserves	\$752,852	\$1,267,236	\$1,718,798	\$2,130,232	\$2,151,565
	b. Incurred Loss and ALAE	674,748	582,920	577,027	270,442	435,962
	c. Calendar payments for Loss and ALAE	160,364	131,358	165,593	249,109	291,875
d. Ending Reserves:	\$1,267,236	\$1,718,798	\$2,130,232	\$2,151,565	\$2,295,652	
(2) Assumed	(1)	(2)	(3)	(4)	(5)	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
	a. Beginning reserves	\$2,088,073	\$2,131,090	\$2,004,139	\$1,995,235	\$2,403,560
	b. Incurred Loss and ALAE	176,430	(12,280)	113,074	607,497	(113,844)
	c. Calendar payments for Loss and ALAE	133,413	114,671	121,978	199,172	256,027
d. Ending Reserves:	\$2,131,090	\$2,004,139	\$1,995,235	\$2,403,560	\$2,033,689	
(3) Net of Reinsurance	(1)	(2)	(3)	(4)	(5)	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
	a. Beginning reserves	\$2,518,193	\$2,836,353	\$3,178,764	\$3,415,866	\$3,769,167
	b. Incurred Loss and ALAE	592,420	572,239	512,318	717,026	118,456
	c. Calendar payments for Loss and ALAE	274,260	229,828	275,216	363,725	325,701
d. Ending Reserves:	\$2,836,353	\$3,178,764	\$3,415,866	\$3,769,167	\$3,561,922	

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

(1) Direct	\$1,091,376
(2) Assumed	\$514,734
(3) Net of Reinsurance	\$1,349,635

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

(1) Direct	\$839,477
(2) Assumed	\$71
(3) Net of Reinsurance	\$676,642

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

ENVIRONMENTAL

D.	(1) Direct		(1)	(2)	(3)	(4)	(5)
			<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	a.	Beginning reserves	\$ 2,131,365	\$ 2,260,124	\$ 2,575,033	\$ 2,462,525	\$ 2,008,113
	b.	Incurred Loss and ALAE	386,130	600,083	128,763	5,666	22,549
	c.	Calendar payments for Loss and ALAE	257,371	285,174	241,271	460,078	271,098
	d.	Ending Reserves:	\$ 2,260,124	\$ 2,575,033	\$ 2,462,525	\$ 2,008,113	\$ 1,759,564
	(2) Assumed		(1)	(2)	(3)	(4)	(5)
			<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	a.	Beginning reserves	\$ 946,185	\$ 1,003,903	\$ 665,323	\$ 599,406	\$ 587,928
	b.	Incurred Loss and ALAE	77,067	(289,925)	12,618	5,155	14,968
	c.	Calendar payments for Loss and ALAE	19,349	48,655	78,535	16,633	26,283
	d.	Ending Reserves:	\$ 1,003,903	\$ 665,323	\$ 599,406	\$ 587,928	\$ 576,613
	(3) Net of Reinsurance		(1)	(2)	(3)	(4)	(5)
			<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	a.	Beginning reserves	\$ 2,921,142	\$ 3,093,040	\$ 2,977,906	\$ 2,687,829	\$ 2,331,572
	b.	Incurred Loss and ALAE	398,814	146,047	13,617	21,933	25,376
	c.	Calendar payments for Loss and ALAE	226,916	261,181	303,694	378,190	185,170
d.	Ending Reserves:	\$ 3,093,040	\$ 2,977,906	\$ 2,687,829	\$ 2,331,572	\$ 2,171,778	

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

(1) Direct	\$ 1,104,365
(2) Assumed	\$ 370,946
(3) Net of Reinsurance	\$ 1,436,695

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

(1) Direct	\$ 815,054
(2) Assumed	\$ -
(3) Net of Reinsurance	\$ 794,864

NOTES TO FINANCIAL STATEMENTS

33. Subscriber Savings Accounts

Not Applicable

34. Multiple Peril Crop Insurance

Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?

Indiana
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 3.2

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

12/31/2005
- 3.3

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

06/18/2007
- 3.4

By what department or departments?

Indiana
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [X] No [] NA []
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [X] No [] NA []
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes [] No [X]
- 4.12

renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes [] No [X]
- 4.22

renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

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

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

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,
- 7.21

State the percentage of foreign control
- 7.22

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

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

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

1	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 [X] No []

11.11

Name of real estate holding company

Multiple

11.12

Number of parcels involved

7

11.13

Total book/adjusted carrying value

\$0
- 11.2

If yes, provide explanation

Partnerships that generate historic tax credits.
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

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

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

\$

\$

0

0

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

23.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

7,081,795

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:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
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:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....
.....

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:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

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:

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

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

27.2 If yes, complete the following schedule:

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

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

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

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.....	163,814,037	152,999,108	(10,814,929)
28.2 Preferred stocks.....	2,430,000	2,430,000	0
28.3 Totals	166,244,037	155,429,108	(10,814,929)

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?.....\$610,613

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?.....\$169,236

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
Skadden Arps Slate Meagher & Flom LLP.....	102,718

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$20,786

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
American Insurance Association.....	17,428

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

\$110,594,324

\$111,839,810

2.3

Premium Ratio (2.1/2.2)

.....0.000

.....0.000

2.4

Reserve Numerator

\$300,687

\$331,555

2.5

Reserve Denominator

\$100,953,325

\$143,977,179

2.6

Reserve Ratio (2.4/2.5)

.....0.003

.....0.002

3.1

Does the reporting entity issue both participating and non-participating policies?

Yes [] No [X]

3.2

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

3.21

Participating policies.....

\$0

3.22

Non-participating policies.....

\$0

4.

For Mutual reporting entities and Reciprocal Exchanges only:

4.1

Does the reporting entity issue assessable policies?.....

Yes [] No []

4.2

Does the reporting entity issue non-assessable policies?.....

Yes [] No []

4.3

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

%

4.4

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

\$

5.

For Reciprocal Exchanges Only:

5.1

Does the exchange appoint local agents?.....

Yes [] No []

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation.....

Yes [] No [] NA [X]

5.22

As a direct expense of the exchange.....

Yes [] No [] NA [X]

5.3

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

.....

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?.....

Yes [] No []

5.5

If yes, give full information

.....

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:
The Company purchases a Workers Compensation Excess of Loss reinsurance treaty and a Workers Compensation Catastrophe Reinsurance treaty to protect itself from excessive loss in the event of a catastrophe under a Workers Compensation contract

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company estimates its catastrophic loss PML by having Aon Risk Services run 3 separate models. The Company receives PML estimates for earthquake (incl fire following and sprinkler leakage), hurricane and tornado/hail. Based on these models, the largest PML would involve a CA earthquake event.

6.3

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

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

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

Yes

[X]

No

[]

6.5

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

[X]

No

[]

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

Yes

[X]

No

[]

N/A

[]

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force:

Yes [] No [X]

11.2

If yes, give full information

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11

Unpaid losses

\$ 96,387

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$ 3,509

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?

\$ 1,467

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]

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

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

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

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

FIVE-YEAR HISTORICAL DATA

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

	1 2008	2 2007	3 2006	4 2005	5 2004
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	89,561,906	92,777,599	87,670,000	85,414,091	77,999,796
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	57,904,252	59,083,496	55,946,053	55,292,558	49,273,018
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	27,373,034	30,905,914	30,690,124	31,876,248	33,726,291
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,018,824	7,801,033	6,556,240	5,598,950	4,663,815
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	213	22	28	286	941
6. Total (Line 35)	183,858,229	190,568,065	180,862,445	178,182,133	165,663,862
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)	44,514,507	48,341,867	48,582,602	49,992,579	47,836,022
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	27,007,342	28,080,245	28,936,438	31,658,617	31,061,094
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	26,278,166	28,899,727	28,200,619	29,029,069	29,954,909
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,018,824	7,801,033	6,556,240	5,598,950	4,663,815
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	213	22	28	286	941
12. Total (Line 35)	106,819,052	113,122,894	112,275,927	116,279,502	113,516,782
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	2,945,938	7,263,937	13,003,788	10,611,392	9,120,799
14. Net investment gain (loss) (Line 11)	9,440,697	10,483,545	9,350,499	9,575,361	8,963,600
15. Total other income (Line 15)	179,691	355,083	(4,969)	172,474	252,769
16. Dividends to policyholders (Line 17)	132,911	94,891	132,800	56,992	42,830
17. Federal and foreign income taxes incurred (Line 19)	2,215,638	3,455,425	4,831,990	5,738,057	3,938,032
18. Net income (Line 20)	10,217,777	14,552,249	17,384,527	14,564,178	14,356,306
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	211,346,277	241,124,018	238,059,026	241,054,067	226,023,987
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	9,953,105	13,626,560	12,307,299	10,480,705	2,504,794
20.2 Deferred and not yet due (Line 13.2)	16,737,440	14,783,642	16,440,722	19,147,651	19,718,943
20.3 Accrued retrospective premiums (Line 13.3)	46,704	40,746	48,264	47,969	74,241
21. Total liabilities excluding protected cell business (Page 3, Line 24)	162,336,760	162,578,415	158,716,072	165,184,194	154,838,489
22. Losses (Page 3, Line 1)	77,545,503	76,408,786	75,472,212	78,815,232	78,237,964
23. Loss adjustment expenses (Page 3, Line 3)	18,076,766	18,192,060	19,269,637	19,382,814	18,145,344
24. Unearned premiums (Page 3, Line 9)	40,403,696	44,153,576	42,841,571	43,097,565	43,060,582
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)	49,009,517	78,545,603	79,342,954	75,869,873	71,185,498
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	13,567,133	15,008,466	18,905,828	15,130,605	24,825,179
Risk-Based Capital Analysis					
28. Total adjusted capital	49,009,517	78,545,603	79,342,954	75,869,873	71,185,498
29. Authorized control level risk-based capital	9,197,362	9,662,280	9,516,081	9,769,417	9,343,059
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)	94.1	98.8	99.5	99.5	99.0
31. Stocks (Lines 2.1 & 2.2)	1.5	0.0	0.4	0.5	0.6
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)	4.5	1.1	0.0	0.0	0.0
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.0	0.0	0.0	0.0	0.0
37. Receivables for securities (Line 8)	0.0	0.0	0.0	0.0	0.4
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)	(1,274,835)	(59,955)	(783)	(685)	1,145
49. Dividends to stockholders (Line 35)	(38,000,000)	(15,000,000)	(14,000,000)	(10,000,000)	(5,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	(29,536,086)	(797,351)	3,473,081	4,684,376	10,979,714
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)	46,408,303	57,011,237	48,277,099	46,324,714	45,476,029
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	32,980,988	33,312,088	31,875,531	28,604,298	23,515,210
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	18,878,684	14,585,939	13,683,029	13,726,907	14,459,652
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	456,225	(62,648)	520,863	1,370,548	487,631
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	422,550	277,636	(10,083)	211,813	185,661
56. Total (Line 35)	99,146,750	105,124,251	94,346,439	90,238,280	84,124,183
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)	25,542,097	29,257,506	26,654,163	26,349,434	24,693,391
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	15,359,929	15,573,896	16,303,637	16,633,886	14,836,136
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	17,499,087	13,430,583	12,809,146	12,591,124	13,255,800
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	456,225	(62,648)	520,863	1,370,548	487,631
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	422,550	277,636	(10,083)	211,813	185,661
62. Total (Line 35)	59,279,888	58,476,973	56,277,725	57,156,806	53,458,619
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	55.5	53.1	47.1	49.7	51.0
65. Loss expenses incurred (Line 3)	11.5	9.7	11.4	12.7	12.2
66. Other underwriting expenses incurred (Line 4)	30.3	30.7	30.0	28.6	28.5
67. Net underwriting gain (loss) (Line 8)	2.7	6.5	11.6	9.1	8.2
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.2	30.0	30.0	28.4	27.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	67.0	62.9	58.5	62.3	63.2
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	218.0	144.0	141.5	153.3	159.5
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(3,115)	(2,938)	(2,790)	(2,044)	(1,366)
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)	(4.0)	(3.7)	(3.7)	(2.9)	(2.3)
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)	(4,470)	(6,163)	(2,556)	(2,598)	3,091
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(5.6)	(8.1)	(3.6)	(4.3)	5.3

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported Direct and Assumed
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	2,342	982	555	248	152	0	12	1,820	XXX
2. 1999	90,825	3,288	87,538	60,952	1,029	3,988	21	7,219	0	3,143	71,108	XXX
3. 2000	94,289	3,260	91,029	63,943	952	3,885	109	7,185	0	3,558	73,952	XXX
4. 2001	92,485	3,030	89,455	59,283	1,192	4,096	170	7,686	0	3,150	69,703	XXX
5. 2002	92,914	2,488	90,426	49,744	662	3,679	124	7,930	0	3,451	60,567	XXX
6. 2003	100,918	2,883	98,035	48,718	539	3,085	58	8,303	0	3,360	59,509	XXX
7. 2004	113,272	2,692	110,581	54,823	485	3,000	35	8,507	0	4,626	65,811	XXX
8. 2005	118,903	2,627	116,276	53,656	726	2,562	60	8,558	0	4,168	63,991	XXX
9. 2006	117,089	4,589	112,500	49,262	567	1,626	196	8,079	0	3,758	58,204	XXX
10. 2007	119,297	7,457	111,840	45,911	1,140	1,004	164	7,678	0	3,713	53,288	XXX
11. 2008	115,392	4,797	110,594	34,993	528	378	65	7,211	0	2,066	41,989	XXX
12. Totals	XXX	XXX	XXX	523,627	8,800	27,857	1,250	78,508	0	35,003	619,942	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1.	11,917	3,854	5,785	1,358	918	117	1,462	89	1,156	0	208	15,820	xxx
2.	900	94	609	98	70	0	152	(1)	128	0	21	1,670	xxx
3.	1,148	190	608	129	63	0	292	52	143	0	58	1,884	xxx
4.	1,254	166	513	106	88	7	270	0	133	0	61	1,979	xxx
5.	1,086	61	425	42	112	2	255	1	84	0	31	1,855	xxx
6.	929	59	418	24	91	1	308	0	81	0	92	1,743	xxx
7.	1,285	211	549	1	198	0	439	0	90	0	669	2,350	xxx
8.	3,163	40	768	(33)	333	0	692	0	124	0	289	5,074	xxx
9.	6,616	154	1,384	28	520	0	1,240	1	160	0	466	9,735	xxx
10.	11,299	114	4,258	114	468	0	2,391	21	366	0	1,536	18,534	xxx
11.	17,248	273	12,693	228	260	1	3,561	21	1,738	0	3,533	34,978	xxx
12. Totals	56,845	5,215	28,009	2,093	3,121	128	11,063	183	4,204	0	6,964	95,622	xxx

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter- Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	12,491	3,330
2.	74,018	1,240	72,778	81.5	37.7	83.1	0	0		1,317	352
3.	77,268	1,432	75,836	81.9	43.9	83.3	0	0		1,437	447
4.	73,324	1,641	71,683	79.3	54.2	80.1	0	0		1,495	484
5.	63,314	892	62,422	68.1	35.8	69.0	0	0		1,407	448
6.	61,932	681	61,251	61.4	23.6	62.5	0	0		1,264	479
7.	68,891	731	68,160	60.8	27.2	61.6	0	0		1,622	727
8.	69,857	792	69,065	58.8	30.1	59.4	0	0		3,925	1,150
9.	68,885	946	67,939	58.8	20.6	60.4	0	0		7,817	1,918
10.	73,375	1,553	71,822	61.5	20.8	64.2	0	0		15,330	3,204
11.	78,082	1,115	76,967	67.7	23.2	69.6	0	0		29,441	5,537
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	77,546	18,077

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

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year
1. Prior	51,815	52,212	54,846	55,318	57,501	57,755	59,041	60,337	60,408	60,853	445	516
2. 1999	59,872	62,466	64,211	64,543	65,619	65,430	65,482	65,644	65,438	65,431	(7)	(213)
3. 2000	XXX	65,270	67,676	68,375	69,252	69,064	69,084	68,850	68,631	68,508	(123)	(342)
4. 2001	XXX	XXX	64,312	64,217	64,084	64,343	64,484	64,230	63,968	63,864	(103)	(366)
5. 2002	XXX	XXX	XXX	57,131	56,832	56,083	54,805	54,540	54,407	54,408	1	(133)
6. 2003	XXX	XXX	XXX	XXX	55,782	55,029	53,575	53,187	53,096	52,867	(229)	(320)
7. 2004	XXX	XXX	XXX	XXX	XXX	61,987	61,175	60,347	59,815	59,563	(251)	(784)
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	64,889	62,612	60,611	60,383	(228)	(2,228)
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	60,302	60,736	59,701	(1,036)	(601)
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	65,361	63,778	(1,584)	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	68,018	XXX	XXX
12. Totals											(3,115)	(4,470)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	14,861	23,950	30,317	34,513	37,325	39,565	41,655	43,541	45,208	XXX	XXX
2. 1999	33,126	46,868	53,685	57,885	60,449	61,791	62,734	63,294	63,642	63,890	XXX	XXX
3. 2000	XXX	35,777	50,484	57,435	61,708	64,051	65,519	66,052	66,511	66,767	XXX	XXX
4. 2001	XXX	XXX	33,734	47,511	53,955	57,644	59,889	61,008	61,609	62,018	XXX	XXX
5. 2002	XXX	XXX	XXX	28,726	40,865	46,152	49,491	51,070	52,076	52,637	XXX	XXX
6. 2003	XXX	XXX	XXX	XXX	28,531	39,856	45,334	48,484	50,443	51,206	XXX	XXX
7. 2004	XXX	XXX	XXX	XXX	XXX	31,032	45,425	51,986	55,566	57,304	XXX	XXX
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	31,462	45,183	51,608	55,433	XXX	XXX
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	31,162	45,006	50,125	XXX	XXX
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,106	45,611	XXX	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	34,778	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	21,982	17,166	14,335	11,726	11,779	8,877	8,597	8,115	7,023	6,780
2. 1999	9,975	4,043	2,182	1,353	1,210	1,074	915	925	707	665
3. 2000	XXX	11,508	4,311	2,026	1,755	1,306	1,299	1,096	924	720
4. 2001	XXX	XXX	13,121	4,514	2,301	1,559	1,443	1,184	812	677
5. 2002	XXX	XXX	XXX	13,849	6,234	3,527	1,693	1,060	778	636
6. 2003	XXX	XXX	XXX	XXX	13,649	5,662	2,315	1,435	943	702
7. 2004	XXX	XXX	XXX	XXX	XXX	15,322	5,322	2,804	1,456	988
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	16,705	6,647	2,363	1,494
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,278	4,764	2,595
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,018	6,514
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	16,005

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories										
States, etc.	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							
	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	(1,115)	(3,331)	23,689	.0		
2. Alaska	AK	L	.0	.0	.0	8,667	6,508	.0		
3. Arizona	AZ	L	.0	.0	.0	.0	.0	.0		
4. Arkansas	AR	L	.0	.0	.0	.57	.57	.0		
5. California	CA	L	37,510,485	37,500,676	.0	19,416,858	20,752,048	13,707,903	148,248	
6. Colorado	CO	L	.0	.0	(210)	(7,044)	16,179	.0		
7. Connecticut	CT	N	.0	.0	.0	.0	.0	.0		
8. Delaware	DE	L	.0	.0	.0	.0	.0	.0		
9. District of Columbia	DC	L	.0	.0	.0	.0	.0	.0		
10. Florida	FL	L	.0	.0	(124)	(113)	844	.0		
11. Georgia	GA	L	1,748,219	1,773,177	.0	1,455,356	1,434,990	459,908	6,909	
12. Hawaii	HI	N	.0	.0	.0	.0	.0	.0	.0	
13. Idaho	ID	L	2,634,945	2,672,626	.0	1,584,597	866,763	1,345,300	10,414	
14. Illinois	IL	L	368,598	591,027	.0	753,890	87,172	309,857	1,457	
15. Indiana	IN	L	.0	.0	(5,533)	(73,620)	41,577	.0		
16. Iowa	IA	L	.0	.0	(100)	(298)	.0	.0		
17. Kansas	KS	L	.0	.0	(2,221)	(2,144)	397	.0		
18. Kentucky	KY	L	.0	.0	9,428	(14,452)	6,435	.0		
19. Louisiana	LA	L	.0	.0	.0	.0	.0	.0		
20. Maine	ME	N	.0	.0	.0	.0	.0	.0	.0	
21. Maryland	MD	L	948,949	138,702	.0	20,145	56,974	36,842	3,750	
22. Massachusetts	MA	N	.0	.0	.0	.0	.0	.0	.0	
23. Michigan	MI	L	.0	.0	.0	.0	.0	.0	.0	
24. Minnesota	MN	L	.0	.0	.0	349	103,781	193,628	.0	
25. Mississippi	MS	L	665,429	631,220	.0	276,137	418,724	298,308	2,630	
26. Missouri	MO	L	.0	.0	.0	40,197	(5,145)	80,955	.0	
27. Montana	MT	L	2,133,033	1,986,163	.0	550,146	921,417	806,609	8,430	
28. Nebraska	NE	L	.0	.0	.0	124,643	27,043	7,582	.0	
29. Nevada	NV	L	507,394	313,887	.0	67,464	311,144	257,450	2,005	
30. New Hampshire	NH	N	.0	.0	.0	.0	.0	.0	.0	
31. New Jersey	NJ	N	.0	.0	.0	.0	.0	.0	.0	
32. New Mexico	NM	L	.0	.0	(66)	(54)	49,942	.0		
33. New York	NY	N	.0	.0	.0	.0	.0	.0	.0	
34. North Carolina	NC	L	16,789,761	17,451,982	.0	10,474,807	12,552,915	9,042,546	66,356	
35. North Dakota	ND	L	287,983	237,272	.0	52,256	61,398	35,083	1,138	
36. Ohio	OH	L	(7,055)	151,774	.0	150,367	(86,568)	134,630	(28)	
37. Oklahoma	OK	L	.0	.0	.0	338	338	.0	.0	
38. Oregon	OR	L	.0	.0	(2,197)	(2,362)	17,151	.0		
39. Pennsylvania	PA	L	.0	.0	.0	416	416	748	.0	
40. Rhode Island	RI	N	.0	.0	.0	.0	.0	.0	.0	
41. South Carolina	SC	L	.0	.0	.0	.0	.0	.0	.0	
42. South Dakota	SD	L	145,372	139,465	.0	9,742	29,414	39,319	575	
43. Tennessee	TN	L	.0	.0	.0	(3,514)	(13,172)	11,933	.0	
44. Texas	TX	L	.0	.0	(2,680)	(4,809)	4,441	.0		
45. Utah	UT	L	.0	.0	.0	.0	19	4,519	.0	
46. Vermont	VT	N	.0	.0	.0	.0	.0	.0	.0	
47. Virginia	VA	L	1,659,109	2,291,490	.0	1,184,157	1,159,408	671,240	6,557	
48. Washington	WA	L	10,547,075	10,641,464	.0	3,570,360	7,679,876	11,517,796	41,684	
49. West Virginia	WV	L	.0	.0	.0	.0	.0	.0	.0	
50. Wisconsin	WI	L	.0	.0	.0	.0	(720)	(720)	.0	
51. Wyoming	WY	L	1,099,881	1,038,215	.0	143,144	257,954	505,435	4,347	
52. American Samoa	AS	N	.0	.0	.0	.0	.0	.0	.0	
53. Guam	GU	N	.0	.0	.0	.0	.0	.0	.0	
54. Puerto Rico	PR	N	.0	.0	.0	.0	.0	.0	.0	
55. U.S. Virgin Islands	VI	N	.0	.0	.0	.0	.0	.0	.0	
56. Northern Mariana Islands	MP	N	.0	.0	.0	.0	.0	.0	.0	
57. Canada	ON	N	.0	.0	.0	.0	.0	.0	.0	
58. Aggregate other alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Totals	(a) 42		77,039,177	77,559,141	.0	39,867,035	46,516,686	39,634,090	304,472	.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	.0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	.0	.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.

ALPHABETICAL INDEX

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

ANNUAL STATEMENT BLANK

Assets	2
Cash Flow	5
Exhibit of Capital Gains (Losses)	12
Exhibit of Net Investment Income	12
Exhibit of Nonadmitted Assets	13
Exhibit of Premiums and Losses (State Page)	19
Five-Year Historical Data	17
General Interrogatories	15
Jurat Page	1
Liabilities, Surplus and Other Funds	3
Notes To Financial Statements	14
Overflow Page For Write-ins	97
Schedule A – Part 1	E01
Schedule A – Part 2	E02
Schedule A – Part 3	E03
Schedule A – Verification Between Years	SI02
Schedule B – Part 1	E04
Schedule B – Part 2	E05
Schedule B – Part 3	E06
Schedule B – Verification Between Years	SI02
Schedule BA – Part 1	E07
Schedule BA – Part 2	E08
Schedule BA – Part 3	E09
Schedule BA – Verification Between Years	SI03
Schedule D – Part 1	E10
Schedule D – Part 1A – Section 1	SI05
Schedule D – Part 1A – Section 2	SI08
Schedule D – Part 2 – Section 1	E11
Schedule D – Part 2 – Section 2	E12
Schedule D – Part 3	E13
Schedule D – Part 4	E14
Schedule D – Part 5	E15
Schedule D – Part 6 – Section 1	E16
Schedule D – Part 6 – Section 2	E16
Schedule D – Summary By Country	SI04
Schedule D – Verification Between Years	SI03
Schedule DA – Part 1	E17

ALPHABETICAL INDEX

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

ANNUAL STATEMENT BLANK (Continued)

Schedule DA – Verification Between Years	SI11
Schedule DB – Part A – Section 1	E18
Schedule DB – Part A – Section 2	E18
Schedule DB – Part A – Section 3	E19
Schedule DB – Part A – Verification Between Years	SI12
Schedule DB – Part B – Section 1	E19
Schedule DB – Part B – Section 2	E20
Schedule DB – Part B – Section 3	E20
Schedule DB – Part B – Verification Between Years	SI12
Schedule DB – Part C – Section 1	E21
Schedule DB – Part C – Section 2	E21
Schedule DB – Part C – Section 3	E22
Schedule DB – Part C – Verification Between Years	SI13
Schedule DB – Part D – Section 1	E22
Schedule DB – Part D – Section 2	E23
Schedule DB – Part D – Section 3	E23
Schedule DB – Part D – Verification Between Years	SI13
Schedule DB – Part E – Section 1	E24
Schedule DB – Part E – Verification	SI13
Schedule DB – Part F – Section 1	SI14
Schedule DB – Part F – Section 2	SI15
Schedule E – Part 1 – Cash	E25
Schedule E – Part 2 – Cash Equivalents	E26
Schedule E – Part 3 – Special Deposits	E27
Schedule E – Verification Between Years	SI16
Schedule F – Part 1	20
Schedule F – Part 2	21
Schedule F – Part 3	22
Schedule F – Part 4	23
Schedule F – Part 5	24
Schedule F – Part 6	25
Schedule F – Part 7	26
Schedule F – Part 8	27
Schedule H – Accident and Health Exhibit – Part 1	28
Schedule H – Parts – 2, 3, and 4	29
Schedule H – Part 5 – Health Claims	30
Schedule P – Part 1 – Analysis of Losses and Loss Expenses	31
Schedule P – Part 1A – Homeowners/Farmowners	33
Schedule P – Part 1B – Private Passenger Auto Liability/Medical	34
Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	35
Schedule P – Part 1D – Workers’ Compensation	36

ALPHABETICAL INDEX

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

ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 1E – Commercial Multiple Peril	37
Schedule P – Part 1F – Section 1 – Medical Malpractice – Occurrence	38
Schedule P – Part 1F – Section 2 – Medical Malpractice – Claims-Made	39
Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All Perils), Boiler and Machinery)	40
Schedule P – Part 1H – Section 1 – Other Liability–Occurrence	41
Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	42
Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	43
Schedule P – Part 1J – Auto Physical Damage	44
Schedule P – Part 1K – Fidelity/Surety	45
Schedule P – Part 1L – Other (Including Credit, Accident and Health)	46
Schedule P – Part 1M – International	47
Schedule P – Part 1N – Reinsurance	48
Schedule P – Part 1O – Reinsurance	49
Schedule P – Part 1P – Reinsurance	50
Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	51
Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	52
Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	53
Schedule P – Part 1T – Warranty	54
Schedule P – Part 2, Part 3 and Part 4 - Summary	32
Schedule P – Part 2A – Homeowners/Farmowners	55
Schedule P – Part 2B – Private Passenger Auto Liability/Medical	55
Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	55
Schedule P – Part 2D – Workers’ Compensation	55
Schedule P – Part 2E – Commercial Multiple Peril	55
Schedule P – Part 2F – Section 1 – Medical Malpractice – Occurrence	56
Schedule P – Part 2F – Section 2 – Medical Malpractice – Claims – Made	56
Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	56
Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	56
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	56
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	57
Schedule P – Part 2J – Auto Physical Damage	57
Schedule P – Part 2K – Fidelity, Surety	57
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	57
Schedule P – Part 2M – International	57
Schedule P – Part 2N – Reinsurance	58
Schedule P – Part 2O – Reinsurance	58
Schedule P – Part 2P – Reinsurance	58
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	59
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	59
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	59
Schedule P – Part 2T – Warranty	59
Schedule P – Part 3A – Homeowners/Farmowners	60

ALPHABETICAL INDEX

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

ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 3B – Private Passenger Auto Liability/Medical	60
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	60
Schedule P – Part 3D – Workers' Compensation	60
Schedule P – Part 3E – Commercial Multiple Peril	60
Schedule P – Part 3F – Section 1 – Medical Malpractice – Occurrence	61
Schedule P – Part 3F – Section 2 – Medical Malpractice – Claims-Made	61
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	61
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	61
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	61
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	62
Schedule P – Part 3J – Auto Physical Damage	62
Schedule P – Part 3K – Fidelity/Surety	62
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	62
Schedule P – Part 3M – International	62
Schedule P – Part 3N – Reinsurance	63
Schedule P – Part 3O – Reinsurance	63
Schedule P – Part 3P – Reinsurance	63
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	64
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	64
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	64
Schedule P – Part 3T – Warranty	64
Schedule P – Part 4A – Homeowners/Farmowners	65
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	65
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	65
Schedule P – Part 4D – Workers' Compensation	65
Schedule P – Part 4E – Commercial Multiple Peril	65
Schedule P – Part 4F – Section 1 – Medical Malpractice – Occurrence	66
Schedule P – Part 4F – Section 2 – Medical Malpractice – Claims-Made	66
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	66
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	66
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	66
Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	67
Schedule P – Part 4J – Auto Physical Damage	67
Schedule P – Part 4K – Fidelity/Surety	67
Schedule P – Part 4L – Other (Including Credit, Accident and Health)	67
Schedule P – Part 4M – International	67
Schedule P – Part 4N – Reinsurance	68
Schedule P – Part 4O – Reinsurance	68
Schedule P – Part 4P – Reinsurance	68
Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	69
Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	69

ALPHABETICAL INDEX

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

ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	69
Schedule P – Part 4T – Warranty	69
Schedule P – Part 5A – Homeowners/Farmowners	70
Schedule P – Part 5B – Private Passenger Auto Liability/Medical	71
Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	72
Schedule P – Part 5D – Workers’ Compensation	73
Schedule P – Part 5E – Commercial Multiple Peril	74
Schedule P – Part 5F – Medical Malpractice – Claims-Made	76
Schedule P – Part 5F – Medical Malpractice – Occurrence	75
Schedule P – Part 5H – Other Liability – Claims-Made	78
Schedule P – Part 5H – Other Liability – Occurrence	77
Schedule P – Part 5R – Products Liability – Claims-Made	80
Schedule P – Part 5R – Products Liability – Occurrence	79
Schedule P – Part 5T – Warranty	81
Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	82
Schedule P – Part 6D – Workers’ Compensation	82
Schedule P – Part 6E – Commercial Multiple Peril	83
Schedule P – Part 6H – Other Liability – Claims-Made	84
Schedule P – Part 6H – Other Liability – Occurrence	83
Schedule P – Part 6M – International	84
Schedule P – Part 6N – Reinsurance	85
Schedule P – Part 6O – Reinsurance	85
Schedule P – Part 6R – Products Liability – Claims-Made	86
Schedule P – Part 6R – Products Liability – Occurrence	86
Schedule P – Part 7A – Primary Loss Sensitive Contracts	87
Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	89
Schedule P Interrogatories	91
Schedule T – Exhibit of Premiums Written	92
Schedule T – Part 2 – Interstate Compact	93
Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	94
Schedule Y – Part 2 – Summary of Insurer’s Transactions With Any Affiliates	95
Statement of Income	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	96
Underwriting and Investment Exhibit Part 1	6
Underwriting and Investment Exhibit Part 1A	7
Underwriting and Investment Exhibit Part 1B	8
Underwriting and Investment Exhibit Part 2	9
Underwriting and Investment Exhibit Part 2A	10
Underwriting and Investment Exhibit Part 3	11

