



QUARTERLY STATEMENT

AS OF JUNE 30, 2008

OF THE CONDITION AND AFFAIRS OF THE

Safety National Casualty Corporation

NAIC Group Code 0074, 0074 NAIC Company Code 15105 Employer's ID Number 43-0727872
(Current Period) (Prior Period)

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

Country of Domicile US

Incorporated/Organized November 28, 1942 Commenced Business December 28, 1942

Statutory Home Office 2043 Woodland Parkway, St. Louis, Missouri 63146-4235
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 2043 Woodland Parkway, St. Louis, Missouri 63146-4235 314-995-5300
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 2043 Woodland Parkway, St. Louis, Missouri 63146-4235
(Street and Number or P. O. Box, City or Town, State and Zip Code)

Primary Location of Books and Records 2043 Woodland Parkway, St. Louis, Missouri 63146-4235
(Street and Number, City or Town, State and Zip Code)
314-995-5300
(Area Code) (Telephone Number)

Internet Website Address www.sncc.com

Statutory Statement Contact John Paul Csik 314-995-5304-316
(Name) (Area Code) (Telephone Number) (Extension)
john.csik@sncc.com 314-995-6817
(E-Mail Address) (Fax Number)

OFFICERS

Mark Andrew Wilhelm# (President)
 Jeffrey William Otto (Secretary)
 Duane Allen Hercules (Treasurer)

OTHER OFFICERS

John Paul Csik
 Eugene Raymond Maier
 Carleton Sherwood Reynolds, III
 Gerald Roger Scott

DIRECTORS OR TRUSTEES

Harold Franz IIg
 Charles Donald Ainsworth
 Duane Allen Hercules
 Jeffrey William Otto
 Robert Rosenkranz
 Terrence Todd Schoeninger
 Gerald Roger Scott
 Donald Alan Sherman
 Robert Michael Smith, Jr.
 Mark Andrew Wilhelm

State of Missouri }
 County of St. Louis } 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.

 Mark Andrew Wilhelm
 President
 Subscribed and sworn to before me this _____
 day of _____ 2008

 Jeffrey William Otto
 Secretary

 Duane Allen Hercules
 Treasurer
 a. Is this an original filing? Yes (X) No ()
 b. If no: 1. State the amendment number 0
 2. Date filed _____
 3. Number of pages attached 0

ASSETS

	Current Statement Date			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col. 1 minus Col. 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	1,395,312,080	0	1,395,312,080	1,264,134,768
2. Stocks:				
2.1 Preferred stocks	38,301,818	0	38,301,818	37,305,103
2.2 Common stocks	63,173,230	0	63,173,230	51,449,168
3. Mortgage loans on real estate:				
3.1 First liens	10,060,058	835,737	9,224,321	30,461,641
3.2 Other than first liens	2,810,852	830,386	1,980,466	1,577,804
4. Real estate:				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	18,826,841	0	18,826,841	10,834,430
4.2 Properties held for the production of income (less \$ 0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$ 0 encumbrances)	14,039,198	583,692	13,455,506	4,004,209
5. Cash (\$ 13,309,468), cash equivalents (\$ 0) and short-term investments (\$ 38,710,119)	52,019,587	0	52,019,587	97,702,328
6. Contract loans (including \$ 0 premium notes)	0	0	0	0
7. Other invested assets	77,357,605	0	77,357,605	178,505,018
8. Receivables for securities	10,268,879	0	10,268,879	14,577,750
9. Aggregate write-ins for invested assets	0	0	0	92,794
10. Subtotals, cash and invested assets (Line 1 to Line 9)	1,682,170,148	2,249,815	1,679,920,333	1,690,645,013
11. Title plants less \$ 0 charged off (for Title insurers only)	0	0	0	0
12. Investment income due and accrued	19,552,048	150,604	19,401,444	18,379,479
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	15,468,709	3,273,360	12,195,349	18,950,381
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,690,101 earned but unbilled premiums)	39,786,785	0	39,786,785	27,746,038
13.3 Accrued retrospective premiums	0	0	0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	5,778,029	0	5,778,029	7,525,240
14.2 Funds held by or deposited with reinsured companies	567,775	0	567,775	626,366
14.3 Other amounts receivable under reinsurance contracts	0	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
16.2 Net deferred tax asset	23,269,248	14,455,943	8,813,305	10,411,967
17. Guaranty funds receivable or on deposit	724,290	0	724,290	772,593
18. Electronic data processing equipment and software	1,434,457	960,614	473,843	427,836
19. Furniture and equipment, including health care delivery assets (\$ 0)	1,248,406	1,248,406	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	64	0	64	66
21. Receivables from parent, subsidiaries and affiliates	859,931	0	859,931	676,975
22. Health care (\$ 0) and other amounts receivable	0	0	0	0
23. Aggregate write-ins for other than invested assets	2,383,025	0	2,383,025	2,383,025
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	1,793,242,915	22,338,742	1,770,904,173	1,778,544,979
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
26. Totals (Line 24 and Line 25)	1,793,242,915	22,338,742	1,770,904,173	1,778,544,979
DETAILS OF WRITE-INS				
0901. Swaps	0	0	0	92,794
0902.	0	0	0	0
0903.	0	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)	0	0	0	92,794
2301. Cash Surrender Value of Officer's Life Insurance	2,383,025	0	2,383,025	2,383,025
2302.	0	0	0	0
2303.	0	0	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	2,383,025	0	2,383,025	2,383,025

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 94,854,319)	1,107,490,309	1,041,452,991
2. Reinsurance payable on paid losses and loss adjustment expenses	0	0
3. Loss adjustment expenses	29,862,321	29,894,118
4. Commissions payable, contingent commissions and other similar charges	0	0
5. Other expenses (excluding taxes, licenses and fees)	11,618,913	15,190,401
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	4,471,693	5,371,568
7.1 Current federal and foreign income taxes (including \$ (839,908) on realized capital gains (losses))	2,805,802	8,651,225
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ 0 and interest thereon \$ 0	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 7,546,232 and including warranty reserves of \$ 0)	101,940,218	102,369,575
10. Advance premium	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions)	4,178,609	5,872,130
13. Funds held by company under reinsurance treaties	2,060,382	2,662,850
14. Amounts withheld or retained by company for account of others	17,912,654	19,204,159
15. Remittances and items not allocated	3,724,656	5,621,140
16. Provision for reinsurance	4,449,600	6,060,200
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	0	0
20. Payable for securities	3,241,898	1,885,851
21. Liability for amounts held under uninsured plans	0	0
22. Capital notes \$ 0 and interest thereon \$ 0	0	0
23. Aggregate write-ins for liabilities	3,053,528	71,357,277
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	1,296,810,583	1,315,593,485
25. Protected cell liabilities	0	0
26. Total liabilities (Line 24 and Line 25)	1,296,810,583	1,315,593,485
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock	25,000,000	25,000,000
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes	0	0
32. Gross paid in and contributed surplus	51,850,061	51,850,061
33. Unassigned funds (surplus)	392,243,529	381,101,433
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)	0	0
34.2 0 shares preferred (value included in Line 29 \$ 0)	0	0
35. Surplus as regards policyholders (Line 27 through Line 33, less Line 34)	474,093,590	462,951,494
36. Totals	1,770,904,173	1,778,544,979
DETAILS OF WRITE-INS		
2301. Forward Contracts	3,053,528	3,935,916
2302. Payable for Security Transactions Not Yet Settled	0	67,421,361
2303.	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	3,053,528	71,357,277
2701.	0	0
2702.	0	0
2703.	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)	0	0
3001.	0	0
3002.	0	0
3003.	0	0
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Line 3001 through Line 3003 plus Line 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 134,976,779)	140,357,632	150,293,793	297,106,714
1.2 Assumed (written \$ 21,142,047)	16,574,861	16,120,322	35,751,975
1.3 Ceded (written \$ 11,496,737)	11,886,422	14,827,446	28,689,423
1.4 Net (written \$ 144,622,089)	145,046,071	151,586,669	304,169,266
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 94,938,036):			
2.1 Direct	94,066,560	123,077,639	222,176,351
2.2 Assumed	8,409,986	8,205,987	17,459,048
2.3 Ceded	3,638,834	18,064,197	22,181,968
2.4 Net	98,837,712	113,219,429	217,453,431
3. Loss adjustment expenses incurred	2,167,753	2,364,469	9,681,840
4. Other underwriting expenses incurred	39,015,939	40,473,099	78,784,430
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Line 2 through Line 5)	140,021,404	156,056,997	305,919,701
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	5,024,667	(4,470,328)	(1,750,435)
INVESTMENT INCOME			
9. Net investment income earned	42,920,813	39,695,816	80,902,230
10. Net realized capital gains (losses) less capital gains tax of \$ (383,608)	(7,434,058)	(849,418)	(2,051,446)
11. Net investment gain (loss) (Line 9 plus Line 10)	35,486,755	38,846,398	78,850,784
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 328 amount charged off \$ (617))	(289)	(186,780)	(186,390)
13. Finance and service charges not included in premiums	0	0	0
14. Aggregate write-ins for miscellaneous income	0	0	0
15. Total other income (Line 12 through Line 14)	(289)	(186,780)	(186,390)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)	40,511,133	34,189,290	76,913,959
17. Dividends to policyholders	0	0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	40,511,133	34,189,290	76,913,959
19. Federal and foreign income taxes incurred	6,434,167	8,144,335	22,985,845
20. Net income (Line 18 minus Line 19) (to Line 22)	34,076,966	26,044,955	53,928,114
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	462,951,494	416,026,252	416,026,252
22. Net income (from Line 20)	34,076,966	26,044,955	53,928,114
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (4,347,194)	(16,034,584)	6,131,369	(4,341,132)
25. Change in net unrealized foreign exchange capital gain (loss)	(1,923,250)	1,054,804	2,146,122
26. Change in net deferred income tax	2,212,267	382,759	8,920,586
27. Change in nonadmitted assets	(7,799,903)	(3,409,276)	(10,278,648)
28. Change in provision for reinsurance	1,610,600	(1,735,600)	(1,449,800)
29. Change in surplus notes	0	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0	0
31. Cumulative effect of changes in accounting principles	0	0	0
32. Capital changes:			
32.1 Paid in	0	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0	0
32.3 Transferred to surplus	0	0	0
33. Surplus adjustments:			
33.1 Paid in	0	0	0
33.2 Transferred to capital (Stock Dividend)	0	0	0
33.3 Transferred from capital	0	0	0
34. Net remittances from or (to) Home Office	0	0	0
35. Dividends to stockholders	(1,000,000)	(1,000,000)	(2,000,000)
36. Change in treasury stock	0	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0	0
38. Change in surplus as regards policyholders (Line 22 through Line 37)	11,142,096	27,469,011	46,925,242
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	474,093,590	443,495,263	462,951,494
DETAILS OF WRITE-INS			
0501	0	0	0
0502	0	0	0
0503	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)	0	0	0
1401	0	0	0
1402	0	0	0
1403	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	0	0	0
3701	0	0	0
3702	0	0	0
3703	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)	0	0	0

CASH FLOW

	1	2
	Current Year To Date	Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	139,015,546	298,104,270
2. Net investment income	41,774,983	78,134,936
3. Miscellaneous income	58,302	842,582
4. Total (Line 1 through Line 3)	180,848,831	377,081,788
5. Benefit and loss related payments	31,662,359	88,658,188
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	44,687,159	83,893,192
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	11,895,982	14,619,532
10. Total (Line 5 through Line 9)	88,245,500	187,170,912
11. Net cash from operations (Line 4 minus Line 10)	92,603,331	189,910,876
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	100,120,001	200,480,884
12.2 Stocks	3,126,689	9,561,365
12.3 Mortgage loans	20,958,238	9,199,593
12.4 Real estate	0	1,850,000
12.5 Other invested assets	113,918,248	16,126,806
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	8,253	46,665,453
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	238,131,429	283,884,101
13. Cost of investments acquired (long-term only):		
13.1 Bonds	246,723,837	341,642,746
13.2 Stocks	18,640,651	28,563,959
13.3 Mortgage loans	1,247,917	22,137,904
13.4 Real estate	18,027,400	8,171,381
13.5 Other invested assets	19,635,010	108,169,149
13.6 Miscellaneous applications	65,972,520	0
13.7 Total investments acquired (Line 13.1 through Line 13.6)	370,247,335	508,685,139
14. Net increase or (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(132,115,906)	(224,801,038)
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	1,000,000	2,000,000
16.6 Other cash provided (applied)	(5,170,166)	4,610,881
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(6,170,166)	2,610,881
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(45,682,741)	(32,279,281)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	97,702,328	129,981,609
19.2 End of period (Line 18 plus Line 19.1)	52,019,587	97,702,328

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

20.0001	0	0
20.0002	0	0
20.0003	0	0
20.0004	0	0
20.0005	0	0
20.0006	0	0
20.0007	0	0
20.0008	0	0
20.0009	0	0
20.0010	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

None.

2. Accounting Changes and Corrections of Errors

N/A.

3. Business Combinations and Goodwill

N/A.

4. Discontinued Operations

In 2005, the Company experienced losses in its non-core property catastrophe reinsurance business, the majority of which were attributable to Hurricanes Katrina and Wilma and which cover the Company's maximum exposure to this event. In the fourth quarter of 2005, the Company decided to exit its non-core property catastrophe reinsurance business and has not renewed or written any new reinsurance treaties in this line of business.

The amounts related to Discontinued Operations and the effect on the Company's Balance Sheet and Statement of Income is as follows:

Balance Sheet at June 30, 2008

Assets

Line 13.1	Uncollected premiums and agents' balances in the course of collection	\$139,000
Line 13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due	0
Line 26	Total Assets	\$139,000

Liabilities, Surplus and Other Funds

Line 1	Losses	\$4,056,000
Line 26	Total liabilities	\$4,056,000

Statement of Income as of June 30, 2008

Line 1	Premiums earned	\$ 8,000
Line 2	Losses incurred	42,000
Line 4	Other underwriting expenses incurred	3,000
Line 6	Total underwriting deductions	45,000
Line 8	Net underwriting loss	(37,000)
Line 9	Net investment gain	37,000
Line 16	Net income before dividends to policy holders, after capital gains tax and before all other federal and foreign income taxes	0
Line 18	Net income, after dividends to policy holders, after capital gains tax and before all other federal and foreign income taxes	0
Line 19	Federal and foreign income taxes incurred	0
Line 20	Net income	0

5. Investments

The following represents the only significant change since the 12/31/07 Annual Statement:

A. Mortgage Loans

- (4) As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment of \$2,104,538, excluding accrued interest in the amount of \$637,089.
- (7) At June 30, 2008 the Company had impaired mortgage loans without an allowance for credit losses of \$1,445,051.
- (8) At June 30, 2008 the Company had average recorded investment in impaired loans of \$1,445,051.
- (9) At June 30, 2008 the Company had interest income recognized during the period the loans were impaired of \$321,915.
- (10) At June 30, 2008 the Company had interest income recognized on a cash basis during the period the loans were impaired of \$287,969.
- (12) The Company recognized interest income on its impaired loans upon receipt.

NOTES TO FINANCIAL STATEMENTS

F. Real Estate

(2) The Company classified two properties as held for sale during 1st quarter 2008. The Company expects to sell both properties in 2008, there is a letter of intent to sell one of the properties, the other is currently being marketed for sale.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

No significant change since the 12/31/07 Annual Statement.

8. Derivative Instruments

No significant change since the 12/31/07 Annual Statement.

9. Income Taxes

The following represents the only significant change since the 12/31/07 Annual Statement:

A. The components of the net deferred tax asset at June 30 were as follows:

Total of gross deferred tax assets	\$25,224,928
Total of deferred tax liabilities	<u>1,955,680</u>
Net deferred tax asset	23,269,248
Deferred tax asset nonadmitted	\$14,455,943
Net admitted deferred tax asset	<u>\$ 8,813,305</u>
Increase in nonadmitted asset	\$(8,158,123)

C. The provisions for incurred taxes on earnings for the years ended June 30 are:

Current year expense	\$6,434,167
Realized capital gains tax	(383,608)
Current income tax expense	\$6,050,559

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	June 30, 2008
DTA's	
Unearned premiums	\$6,664,259
Net unrealized capital losses	6,418,424
Reserves	5,043,610
Bonds	2,411,167
Non-admitted assets	1,496,030
Agents' balances	1,145,676
Renewal Rights	1,064,000
Other	675,047
Real Estate	<u>306,715</u>
Total DTAs	25,224,928
Nonadmitted DTAs	<u>14,455,943</u>
Admitted DTAs	10,768,985
DTL's	
Net unrealized capital gains	867,277
Preferred stock	373,032
Partnerships/LLC's	<u>715,371</u>
Total DTL	1,955,680
Net admitted DTA	\$8,813,305

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

	June 30, 2008	Dec 31, 2007	Change
Total DTAs	\$25,224,928	\$19,058,878	\$6,166,050
Total DTLs	<u>1,955,680</u>	<u>2,349,091</u>	(393,411)
Net DTA	23,267,248	16,709,787	6,559,461
Tax effect of unrealized gains			(4,347,194)
Change in net deferred income tax			2,212,267

NOTES TO FINANCIAL STATEMENTS

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	Income Tax Expense	Effective Rate
Expense computed at statutory rate	\$14,044,634	35.0%
Tax-exempt interest	(6,784,855)	(16.9)
Other	<u>(3,421,487)</u>	<u>(8.5)</u>
Total	\$ 3,838,292	9.6%
Federal income taxes incurred	\$6,434,167	16.0%
Realized capital gains tax	(383,608)	(1.0%)
Change in net deferred income taxes	<u>(2,212,267)</u>	<u>(5.4%)</u>
Total statutory income taxes	\$3,838,292	9.6%

E. (2) Income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses are as follows:

- a. 2008 \$ 5,026,545
- b. 2007 \$21,009,308

10. Information Concerning Parent, Subsidiaries and Affiliates

A., B., C. The Company paid preferred stock dividends to DFG as follows:

January 2008 \$1,000,000

The Company acquired an interest in three affiliated entities during 2003. At June 30, 2008 and December 31, 2007 the total investment amounts to \$44,476,032 and \$57,615,911, respectively.

In March 2008, the \$18,466,708 note held with the Company's ultimate parent, Delphi Financial Group, Inc. matured.

D. At June 30, 2008, the Company reported \$859,931 as amounts due from Subsidiary Companies, \$832,931 from Safety First Insurance Company, and \$27,000 from Safety National Re. The terms of the agreements require that these amounts be settled within 30 days.

11. Debt

A. N/A.

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

No significant change since the 12/31/07 Annual Statement.

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

The following represents the only significant change since the 12/31/07 Annual Statement:

(9) Unrealized losses of \$10,229,691.

14. Contingencies

N/A.

15. Leases

N/A.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change since the 12/31/07 Annual Statement.

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

N/A.

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

N/A.

NOTES TO FINANCIAL STATEMENTS

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

N/A.

20. Other Items

The following represents the only significant change since the 12/31/07 Annual Statement:

D. At June 30, 2008 and December 31, 2007 the Company had admitted assets of \$51,982,134 and \$46,696,419, respectively, in accounts receivable for amounts due from agents. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectible and the potential for loss is not material to the Company's financial condition.

I. As of June 30, 2008, the Company owned subprime Residential Mortgage Backed Securities with a cost, book adjusted carrying value and fair value of \$10,441,458, \$10,610,573 and \$6,999,854, respectively.

21. Events Subsequent

N/A.

22. Reinsurance

C. Reinsurance Assumed and Ceded

	(1) Assumed		Ceded		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Related	\$ 908,396	\$ 0	\$ 0	\$ 0	\$ 908,396	\$ 0
Other	14,030,318	1,117,098	7,546,232	935,224	6,484,086	181,874
Total	\$14,938,714	\$1,117,098	\$7,546,232	\$ 935,224	\$7,392,482	\$181,874

Direct Unearned Premium Reserve \$94,547,736.

E. The Company commuted one reinsurance treaty with ING Re (UK) Ltd. The Company recorded no material income statement impact from the transaction as the consideration received approximated the reserves assumed.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No significant change since the 12/31/07 Annual Statement.

24. Change in Incurred Losses and Loss Adjustment Expenses

No significant change since the 12/31/07 Annual Statement.

25. Intercompany Pooling Arrangements

N/A.

26. Structured Settlements

No significant change since the 12/31/07 Annual Statement.

27. Health Care Receivables

N/A.

28. Participating Policies

N/A.

29. Premium Deficiency Reserves

As of June 30, 2008 and December 31, 2007 the amount of liabilities recorded related to premium deficiency reserves was \$0. Anticipated investment income was considered as a factor in the premium deficiency calculation.

30. High Deductibles

No significant change since the 12/31/07 Annual Statement.

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

No significant change since the 12/31/07 Annual Statement.

NOTES TO FINANCIAL STATEMENTS

32. Asbestos/Environmental Reserves

No significant change since the 12/31/07 Annual Statement.

33. Subscriber Savings Accounts

N/A.

34. Multiple Peril Crop Insurance

N/A.

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.	1		Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
	Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date	
1. Alabama	AL	L	1,653,002	1,465,325	581,425	742,536	18,158,074	22,324,667
2. Alaska	AK	L	204	3,260	113,366	0	1,961,513	1,718,673
3. Arizona	AZ	L	397,786	511,540	427,910	82,660	10,511,499	10,084,691
4. Arkansas	AR	L	1,799,164	1,762,777	115,308	77,383	7,193,741	6,525,191
5. California	CA	L	11,397,056	16,137,301	3,243,641	1,731,725	69,776,103	64,991,084
6. Colorado	CO	L	1,381,435	1,585,332	470,187	408,943	9,506,442	9,833,270
7. Connecticut	CT	L	864,922	1,012,604	364,725	435,212	27,241,773	17,056,690
8. Delaware	DE	L	240,810	198,520	277,265	163,215	2,455,920	3,021,113
9. District of Columbia	DC	L	115,126	101,508	0	16,112	1,255,093	1,202,550
10. Florida	FL	L	3,984,964	2,519,373	3,598,183	1,521,835	66,963,405	62,822,594
11. Georgia	GA	L	5,429,255	6,338,948	2,562,056	(100,008)	36,235,031	34,761,999
12. Hawaii	HI	L	91,037	242,984	(139)	0	910,429	728,024
13. Idaho	ID	L	326,259	357,658	0	0	885,767	715,059
14. Illinois	IL	L	10,947,054	10,485,239	5,195,110	5,383,826	144,512,729	131,241,502
15. Indiana	IN	L	1,477,484	1,433,251	104,346	222,039	11,498,467	13,837,800
16. Iowa	IA	L	639,782	447,749	187,596	447,441	5,719,009	5,532,138
17. Kansas	KS	L	3,706,020	3,852,217	876,901	(58,003)	12,932,195	11,181,666
18. Kentucky	KY	L	651,725	818,172	716,879	979,516	17,064,127	17,335,529
19. Louisiana	LA	L	6,873,337	6,888,008	1,693,726	1,932,265	44,767,761	39,689,839
20. Maine	ME	L	1,459,604	1,486,934	848,484	391,202	16,712,282	15,844,371
21. Maryland	MD	L	2,212,133	2,042,941	854,524	387,909	14,822,692	11,890,333
22. Massachusetts	MA	L	1,462,091	1,716,483	1,001,396	1,170,052	26,850,188	25,122,696
23. Michigan	MI	L	980,281	3,144,365	897,653	868,648	29,041,365	31,314,334
24. Minnesota	MN	L	921,536	887,839	90,611	42,375	2,860,154	2,630,170
25. Mississippi	MS	L	3,177,386	3,240,436	1,271,851	560,594	25,995,250	29,240,166
26. Missouri	MO	L	6,979,211	7,722,055	1,172,530	1,650,981	50,918,362	44,155,100
27. Montana	MT	L	554,714	310,543	37,699	217,315	2,305,825	1,956,634
28. Nebraska	NE	L	36,758	61,208	0	124,585	3,873,398	4,145,382
29. Nevada	NV	L	4,642,338	4,949,124	286,787	439,224	16,541,448	14,840,033
30. New Hampshire	NH	L	1,043,107	1,464,400	0	0	2,213,195	2,061,286
31. New Jersey	NJ	L	2,172,133	3,259,860	1,067,873	775,833	30,229,373	28,479,099
32. New Mexico	NM	L	615,832	862,618	163,465	77,891	4,819,298	3,943,153
33. New York	NY	L	13,399,072	14,930,688	579,379	1,032,467	96,893,750	62,732,485
34. North Carolina	NC	L	3,352,597	2,821,997	535,997	1,268,184	19,129,514	17,851,461
35. North Dakota	ND	L	3,012	2,011	0	0	1,761	867
36. Ohio	OH	L	5,484,679	6,234,895	2,850,314	2,596,102	79,571,848	71,511,334
37. Oklahoma	OK	L	1,323,864	1,637,892	760,897	1,074,906	15,816,354	12,467,255
38. Oregon	OR	L	488,139	630,018	74,620	(161,166)	3,914,943	3,575,954
39. Pennsylvania	PA	L	8,899,031	9,134,759	2,258,385	2,610,194	63,722,118	63,104,670
40. Rhode Island	RI	L	106,484	75,158	0	0	659,616	660,027
41. South Carolina	SC	L	1,911,071	1,978,218	54,018	18,614	7,568,943	7,096,191
42. South Dakota	SD	L	318,572	662,757	28,436	3,939,822	3,939,822	2,905,645
43. Tennessee	TN	L	1,274,866	1,217,599	334,088	426,903	14,523,285	14,362,183
44. Texas	TX	L	2,837,579	2,881,050	493,080	977,217	39,623,065	44,175,536
45. Utah	UT	L	446,109	447,280	20,554	672	3,984,124	4,340,812
46. Vermont	VT	L	633,105	669,425	22,136	13,369	1,465,425	1,225,425
47. Virginia	VA	L	5,568,427	4,946,327	515,726	468,390	16,551,837	13,827,081
48. Washington	WA	L	5,336,398	5,546,601	884,378	1,282,665	43,647,304	37,035,567
49. West Virginia	WV	L	11,943	12,738	0	149,560	3,421,309	3,533,558
50. Wisconsin	WI	L	1,503,911	1,611,188	279,172	183,509	10,627,240	6,474,302
51. Wyoming	WY	L	1,375	1,022	0	0	1,924	1,504
52. American Samoa	AS	N	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	0	0	0	0
55. U. S. Virgin Islands	VI	N	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0
57. Canada	CN	L	3,842,999	3,406,371	0	0	1,861,487	2,180,960
58. Aggregate Other Alien	OT	X X X	0	0	0	0	30,039	54,013
59. Totals	(a)	51	134,976,779	146,158,566	37,912,538	32,660,124	1,143,687,616	1,039,343,666
DETAILS OF WRITE-INS								
5801. Bermuda	X X X		0	0	0	0	30,039	54,013
5802.	X X X		0	0	0	0	0	0
5803.	X X X		0	0	0	0	0	0
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X		0	0	0	0	0	0
5899. TOTALS (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)	X X X		0	0	0	0	30,039	54,013

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