



QUARTERLY STATEMENT

AS OF JUNE 30, 2009

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 1832 Schuetz Road, St. Louis, Missouri 63146-3540
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1832 Schuetz Road, St. Louis, Missouri 63146-3540 314-995-5300
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1832 Schuetz Road, St. Louis, Missouri 63146-3540
(Street and Number or P. O. Box, City or Town, State and Zip Code)

Primary Location of Books and Records 1832 Schuetz Road, St. Louis, Missouri 63146-3540
(Street and Number, City or Town, State and Zip Code)
314-995-5300
(Area Code) (Telephone Number)

Internet Website Address www.safetynational.com

Statutory Statement Contact Katharine Ferguson-Gross 314-812-4117
(Name) (Area Code) (Telephone Number) (Extension)
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OFFICERS

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

OTHER OFFICERS

John Paul Csik
 Steven Francis Luebbert
 Eugene Raymond Maier
 Carleton Sherwood Reynolds, III
 Terrence Todd Schoeninger
 Gerald Roger Scott

DIRECTORS OR TRUSTEES

Harold Franz Ilg
 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 _____ 2009

 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 _____
- 2. Date filed _____
- 3. Number of pages attached _____

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	1,542,388,663		1,542,388,663	1,451,573,038
2. Stocks:				
2.1 Preferred stocks	54,653,391		54,653,391	54,888,405
2.2 Common stocks	107,376,473	589,519	106,786,954	102,729,478
3. Mortgage loans on real estate:				
3.1 First liens	7,365,950	264,482	7,101,468	8,621,908
3.2 Other than first liens	1,668,562		1,668,562	1,638,879
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)	26,680,438		26,680,438	22,737,576
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)	7,543,837	278,699	7,265,138	9,748,907
5. Cash (\$ 19,030,256), cash equivalents (\$) and short-term investments (\$ 65,789,779)	84,820,035		84,820,035	92,899,439
6. Contract loans (including \$ premium notes)				
7. Other invested assets	118,950,632		118,950,632	43,801,234
8. Receivables for securities	2,452,735		2,452,735	17,203,386
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Line 1 to Line 9)	1,953,900,716	1,132,700	1,952,768,016	1,805,842,250
11. Title plants less \$ charged off (for Title insurers only)				
12. Investment income due and accrued	21,939,007		21,939,007	22,592,686
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	20,674,820	1,997,036	18,677,784	20,456,239
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,287,014 earned but unbilled premiums)	50,334,144		50,334,144	30,700,766
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	5,015,935		5,015,935	6,445,590
14.2 Funds held by or deposited with reinsured companies	261,712		261,712	479,056
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	6,105,811		6,105,811	2,741,314
16.2 Net deferred tax asset	47,419,859	36,373,815	11,046,044	10,371,160
17. Guaranty funds receivable or on deposit	583,507		583,507	691,290
18. Electronic data processing equipment and software	2,927,463	2,188,470	738,993	542,324
19. Furniture and equipment, including health care delivery assets (\$)	2,811,664	2,811,664		
20. Net adjustment in assets and liabilities due to foreign exchange rates				53
21. Receivables from parent, subsidiaries and affiliates	827,558		827,558	555,497
22. Health care (\$) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	2,383,025		2,383,025	2,383,025
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	2,115,185,221	44,503,685	2,070,681,536	1,903,801,250
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Totals (Line 24 and Line 25)	2,115,185,221	44,503,685	2,070,681,536	1,903,801,250
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)				
2301. Cash Surrender Value of Officer's Life Insurance	2,383,025		2,383,025	2,383,025
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	2,383,025		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 \$ 93,511,379)	1,237,391,660	1,183,845,004
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	31,086,960	31,142,609
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	13,686,528	13,340,438
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	4,474,180	4,648,149
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 7,411,231 and including warranty reserves of \$)	118,210,168	108,026,014
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	6,995,897	6,262,064
13. Funds held by company under reinsurance treaties	2,034,832	1,990,718
14. Amounts withheld or retained by company for account of others	17,297,108	13,765,257
15. Remittances and items not allocated	2,132,355	2,674,397
16. Provision for reinsurance	2,477,800	4,504,200
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities	31,425,591	2,695,814
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ and interest thereon \$		
23. Aggregate write-ins for liabilities	20,000,231	
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	1,487,213,310	1,372,894,664
25. Protected cell liabilities		
26. Total liabilities (Line 24 and Line 25)	1,487,213,310	1,372,894,664
27. Aggregate write-ins for special surplus funds		
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		
31. Surplus notes	41,454,444	40,000,000
32. Gross paid in and contributed surplus	106,649,399	106,649,399
33. Unassigned funds (surplus)	405,364,383	354,257,187
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		
34.2 shares preferred (value included in Line 29 \$)		
35. Surplus as regards policyholders (Line 27 through Line 33, less Line 34)	583,468,226	530,906,586
36. Totals	2,070,681,536	1,903,801,250
DETAILS OF WRITE-INS		
2301. Retroactive Insurance Assumed Reserves	18,939,144	
2302. Retroactive Insurance Assumed Other Expenses	1,061,087	
2303. Summary of remaining write-ins for Line 23 from overflow page		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	20,000,231	
2701. Summary of remaining write-ins for Line 27 from overflow page		
2702. Summary of remaining write-ins for Line 27 from overflow page		
2703. Summary of remaining write-ins for Line 27 from overflow page		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)		
3001. Summary of remaining write-ins for Line 30 from overflow page		
3002. Summary of remaining write-ins for Line 30 from overflow page		
3003. Summary of remaining write-ins for Line 30 from overflow page		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Line 3001 through Line 3003 plus Line 3098) (Line 30 above)		

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 \$ 147,598,416)	147,012,973	140,357,632	284,550,617
1.2 Assumed (written \$ 29,930,687)	20,745,090	16,574,861	36,819,650
1.3 Ceded (written \$ 12,014,825)	12,349,681	11,886,422	25,012,260
1.4 Net (written \$ 165,514,278)	155,408,382	145,046,071	296,358,007
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 93,526,829):			
2.1 Direct	100,667,132	94,066,560	209,084,754
2.2 Assumed	7,750,512	8,409,986	18,925,063
2.3 Ceded	9,138,006	3,638,834	11,554,853
2.4 Net	99,279,638	98,837,712	216,454,964
3. Loss adjustment expenses incurred	2,431,777	2,167,753	5,754,359
4. Other underwriting expenses incurred	47,695,190	39,015,939	82,125,031
5. Aggregate write-ins for underwriting deductions	(1,844,409)		
6. Total underwriting deductions (Line 2 through Line 5)	147,562,196	140,021,404	304,334,354
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	7,846,186	5,024,667	(7,976,347)
INVESTMENT INCOME			
9. Net investment income earned	38,832,659	42,920,813	83,706,429
10. Net realized capital gains (losses) less capital gains tax of \$ (10,176,064)	(25,717,219)	(7,434,058)	(21,337,143)
11. Net investment gain (loss) (Line 9 plus Line 10)	13,115,440	35,486,755	62,369,286
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 3,688 amount charged off \$ (165,471))	(161,783)	(289)	(108,308)
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income	(1,454,444)		
15. Total other income (Line 12 through Line 14)	(1,616,227)	(289)	(108,308)
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)	19,345,399	40,511,133	54,284,631
17. Dividends to policyholders			
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)	19,345,399	40,511,133	54,284,631
19. Federal and foreign income taxes incurred	8,072,862	6,434,167	8,185,761
20. Net income (Line 18 minus Line 19) (to Line 22)	11,272,537	34,076,966	46,098,870
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	530,906,586	462,951,494	462,951,494
22. Net income (from Line 20)	11,272,537	34,076,966	46,098,870
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 10,239,386	26,780,567	(16,034,584)	(49,177,934)
25. Change in net unrealized foreign exchange capital gain (loss)	673,878	(1,923,250)	(2,745,864)
26. Change in net deferred income tax	1,465,332	2,212,267	19,300,260
27. Change in nonadmitted assets	9,888,482	(7,799,903)	(39,875,578)
28. Change in provision for reinsurance	2,026,400	1,610,600	1,556,000
29. Change in surplus notes	1,454,444		40,000,000
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			54,799,338
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders	(1,000,000)	(1,000,000)	(2,000,000)
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			
38. Change in surplus as regards policyholders (Line 22 through Line 37)	52,561,640	11,142,096	67,955,092
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	583,468,226	474,093,590	530,906,586
DETAILS OF WRITE-INS			
0501. Retroactive Insurance Income/Loss	(1,844,409)		
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)	(1,844,409)		
1401. Interest on Surplus Notes	(1,454,444)		
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	(1,454,444)		
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)			

CASH FLOW

	1	2
	Current Year To Date	Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	149,983,636	299,022,108
2. Net investment income	41,832,334	80,373,278
3. Miscellaneous income	55,561	39,002
4. Total (Line 1 through Line 3)	191,871,531	379,434,388
5. Benefit and loss related payments	45,248,963	73,386,903
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	46,464,196	87,902,661
7. Commissions, expenses paid and aggregate write-ins for deductions	1,261,295	17,547,130
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)		
10. Total (Line 5 through Line 9)	92,974,454	178,836,694
11. Net cash from operations (Line 4 minus Line 10)	98,897,077	200,597,694
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	113,476,810	213,133,159
12.2 Stocks	12,696,307	7,179,632
12.3 Mortgage loans	1,523,449	22,272,508
12.4 Real estate		
12.5 Other invested assets	5,946,880	150,684,957
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	1,231,733	3,902,569
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	134,875,179	397,172,825
13. Cost of investments acquired (long-term only):		
13.1 Bonds	201,563,524	451,641,237
13.2 Stocks	4,618,134	126,721,734
13.3 Mortgage loans	26,734	1,618,085
13.4 Real estate	1,688,775	22,203,233
13.5 Other invested assets	86,557,270	12,898,810
13.6 Miscellaneous applications	(28,729,777)	72,867,018
13.7 Total investments acquired (Line 13.1 through Line 13.6)	265,724,660	687,950,117
14. Net increase or (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(130,849,481)	(290,777,292)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	1,454,444	40,000,000
16.2 Capital and paid in surplus, less treasury stock		54,799,338
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	1,000,000	2,000,000
16.6 Other cash provided (applied)	23,418,556	(7,422,629)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	23,873,000	85,376,709
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)	(8,079,404)	(4,802,889)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	92,899,439	97,702,328
19.2 End of period (Line 18 plus Line 19.1)	84,820,035	92,899,439

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

20.0001		
20.0002		
20.0003		
20.0004		
20.0005		
20.0006		
20.0007		
20.0008		
20.0009		
20.0010		

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The following represents the only significant changes since the 12/31/08 Annual Statement:

- A. The accompanying financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Missouri Insurance Department.

The Missouri Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of Missouri for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Missouri Insurance Law. The NAIC Accounting Practices and Procedures manual has been adopted as a component of prescribed or permitted practices by the State of Missouri. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Specifically, for surplus notes interest will be accrued and expensed in the statement of operations as incurred. In NAIC SAP, interest is not recorded as a liability nor an expense until approval for payment has been granted by the Missouri commissioner. All interest shall be expensed in the statement of operations when approved for payment.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Missouri is shown below:

	State of Domicile	2009
(1) Net Income Missouri state basis	MO	\$ 11,272,537
(2) State Prescribed Practices (Income): Accrual of surplus note interest prior to approval of payment, as incurred	MO	\$ 945,389*
(3) State Permitted Practices (Income): Accrual of surplus note interest upon approval of payment	MO	\$ 0
(4) Net Income NAIC SAP	MO	\$ 12,217,926
(5) Statutory Surplus Missouri basis	MO	\$ 583,468,226
(6) State Prescribed Practices (Surplus): Accrual of surplus note interest prior to approval of payment, as incurred, included at page 4 line 22	MO	\$ (945,389)*
(7) State Prescribed Practices (Surplus): Accrual of surplus note interest prior to approval of payment, as incurred, included at page 4 line 22	MO	\$ 945,389*
(8) State Permitted Practices (Surplus): Accrual of surplus note interest upon approval of payment, as incurred, included at page 4 line 29	MO	\$ 0
(9) Statutory Surplus, NAIC SAP	MO	\$ 583,468,226

* Net of tax.

2. Accounting Changes and Corrections of Errors

The Company has written loss portfolio transfers with workers' compensation self-insureds since 1997. These transactions have historically been accounted for as premium, losses and expenses. Prevalent industry practice dictates that such transactions be accounted for as retroactive reinsurance. Effective 1/1/2009 new loss portfolio transfers will be recorded on the balance sheet as a write-in liability, any gain or loss will be recorded as a write-in item on the statement of income. The Company has recorded a write-in liability in the amount of \$20.0 million at June 30, 2009 and a gain of \$1.8 million on the statement of income. The change in accounting treatment resulted in no change to the December 31, 2008 balance sheet or statement of income.

NOTES TO FINANCIAL STATEMENTS

3. Business Combinations and Goodwill

N/A.

4. Discontinued Operations

N/A.

5. Investments

The following represents the only significant changes since the 12/31/08 Annual Statement:

F. Real Estate

(2) The company classified two properties as held for sale during the second quarter of 2009. An offer has been made on one of the properties, the other is 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 investment in Joint Ventures, Partnerships, or Limited Liability Companies during the statement periods.

7. Investment Income

N/A.

8. Derivative Instruments

N/A.

9. Income Taxes

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

	2009	2008
Total of gross deferred tax assets	\$ 47,792,891	\$ 56,566,945
Total of deferred tax liabilities	<u>373,032</u>	<u>373,032</u>
Net deferred tax asset	\$ 47,419,859	\$ 56,193,913
Deferred tax asset nonadmitted	<u>\$ 36,373,815</u>	<u>\$ 45,822,753</u>
Net admitted deferred tax asset	<u>\$ 11,046,044</u>	<u>\$ 10,371,160</u>
Decrease (increase) in nonadmitted asset	\$ 9,448,938	\$(39,524,933)

B. N/A

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

	2009	2008
Current year expense	\$ 8,072,862	\$ 6,465,405
Realized capital gains tax	(10,176,064)	(2,099,303)
Prior year tax reserve over accrual	0	1,720,356
Current income tax (benefit) expense	\$(2,103,202)	\$ 6,086,458

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

	2009	2008
DTA's		
Net unrealized capital losses	\$11,148,432	\$21,387,818
Non-admitted assets	12,789,680	12,832,295
Unearned premiums	8,771,712	7,561,821
Bonds	7,386,096	4,975,064
Reserves	4,281,764	4,626,535
Other	0	1,381,205
Agents' balances	698,963	1,255,620
Partnerships/LLCs	1,252,810	1,252,810
Renewal rights	975,334	1,019,667
Real estate	<u>488,100</u>	<u>274,110</u>
Total DTAs	<u>47,792,891</u>	<u>56,566,945</u>
Nonadmitted DTAs	<u>36,373,815</u>	<u>45,822,753</u>
Admitted DTAs	<u>11,419,076</u>	<u>10,744,192</u>

NOTES TO FINANCIAL STATEMENTS

DTL's		
Net unrealized capital gains	0	0
Other	0	0
Preferred stock	373,032	373,032
Real estate	0	0
Total DTL	<u>373,032</u>	<u>373,032</u>
Net admitted DTA	\$11,046,044	\$10,371,160

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

	Jun 30, 2009	Dec 31, 2008	Change
Total DTAs	\$47,792,891	\$56,566,945	\$(8,774,054)
Total DTLs	<u>373,032</u>	<u>373,032</u>	<u>0</u>
Net DTA	\$47,419,859	\$56,193,913	\$(8,774,054)

Tax effect of unrealized gains	\$10,239,386
Change in net deferred income tax	\$ 1,465,332

- 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	\$ 3,209,267	35.0%
Tax-exempt interest	(9,419,012)	(102.7)
Non-admitted assets	3,164,012	34.5
Other	<u>(522,801)</u>	<u>(5.7)</u>
Total	\$ (3,568,534)	(38.9)%
Federal income taxes incurred	\$ 8,072,862	88.0%
Realized capital gains tax	(10,176,064)	(111.0)
Change in net deferred income taxes	<u>(1,465,332)</u>	<u>(15.9)</u>
Total statutory income taxes	\$ (3,568,534)	(38.9)%

- E. (1) N/A.

(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.	2009	\$	0
b.	2008	\$	3,342,088

- (3) N/A.

- F. The Company consolidates its federal income tax return with the return of its parent, Delphi Financial Group, Inc. ("DFG"). DFG and all of its direct and indirect subsidiaries are members of the consolidated tax group. See Schedule Y, Part 1 for a list of the principal members of the consolidated tax group.

The method of allocation between the companies is subject to a written tax allocation agreement approved by the Board of Directors. The agreement requires the Company to accrue federal income taxes on a separate return basis, with the current credit for losses used in the consolidated return. Any loss not used in the consolidated return is retained by the respective company for possible future use. Intercompany tax balances are settled within 15 days after filing a tax return or receipt of a refund.

10. Information Concerning Parent, Subsidiaries and Affiliates

The following represents the only significant changes since the 12/31/08 Annual Statement:

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

January 2009 \$1,000,000

The Company issued a surplus note in the amount of \$40,000,000 to DFG in December 2008. The Company has accrued interest of \$1,454,444 at June 30, 2009. See footnote 13, item (11).

NOTES TO FINANCIAL STATEMENTS

The Company acquired an interest in three affiliated entities during 2003. At June 30, 2009 and December 31, 2008 the total investment amounts to \$39,860,842 and \$23,539,990, respectively.

In June 2009, Reliance Standard Life Insurance issued the Company a surplus note in the amount of \$10,000,000. At June 30, 2009, \$0 interest was due.

D. At June 30, 2009 and December 31, 2008 the Company reported \$821,313 and \$555,497, respectively, as amounts due from SFIC. The terms of the agreements require that these amounts be settled within 30 days.

E. The Company has provided guarantees to various states that the minimum surplus of SFIC will not fall below minimum statutory thresholds.

H. As of June 30, 2009, the Company owned 4,000,000 shares of the common stock of DFG. The amount deducted from the market value of this common stock in accordance with the SVO manual was \$31,935,148. At June 30, 2009, the carrying value of this investment was \$45,784,852.

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 12/31/08 Annual Statement.

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

The following represents the only significant changes since the 12/31/08 Annual Statement:

(10) Unrealized losses of \$20,750,270.

(11) The Company is required to make semi-annual interest payments commencing in July 2009. The Company has accrued \$1,454,444 of interest on the note at June 30, 2009. The interest was paid July 2009.

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 12/31/08 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.

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

N/A.

20. Other Items

The following represents the only significant changes since the 12/31/08 Annual Statement:

D. At June 30, 2009 and December 31, 2008 the Company had admitted assets of \$69,011,928 and \$51,157,005, 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.

NOTES TO FINANCIAL STATEMENTS

H. The Company generally characterizes its subprime mortgage investments as those having underlying mortgage loans consisting of borrowers with weighted-average Fair Issac & Co., Inc. (FICO) credit scores below 650. Additionally, the weighted-average loan-to-value ratios (LTVs) of these loans are generally above 80.0%. As of June 30, 2009, the Company owned subprime residential mortgage backed securities with a cost, book adjusted carrying value and fair value of \$7,903,018, \$6,998,622 and \$4,695,853, respectively. During 2009, the Company has recognized other-than-temporary impairments of \$1,094,352 on its subprime investments.

21. Events Subsequent

N/A.

22. Reinsurance

The following represents the only significant changes since the 12/31/08 Annual Statement:

C. Reinsurance Assumed and Ceded

(1)	Assumed		Ceded		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Related	\$ 807,426	\$ 0	\$ 0	\$ 0	\$ 807,426	\$ 0
Other	20,768,318	1,739,103	7,411,231	778,174	13,357,087	960,929
Total	\$21,575,744	\$1,739,103	\$ 7,411,231	\$ 778,174	\$14,164,513	\$960,929

Direct unearned premium reserve \$104,045,653.

F. Retroactive Reinsurance

As:	Reported Company	
	(1)	(2)
	Assumed	Ceded
A. Reserves Transferred		
1. Initial Reserves	\$19,566,739	\$ 0
2. Adjustments - Prior Year(s)	0	0
3. Adjustments - Current Year	(627,595)	0
4. Current Total	\$18,939,144	\$ 0
B. Consideration Paid or Received		
1. Initial Consideration	\$23,697,947	\$ 0
2. Adjustments - Prior Year(s)	0	0
3. Adjustments - Current Year	0	0
4. Current Total	\$23,697,947	\$ 0
C. Paid Losses Reimbursed or Recovered:		
1. Prior Year(s)	\$ 0	\$ 0
2. Current Year	0	0
3. Current Total	\$ 0	\$ 0
D. Special Surplus from Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$ 0	\$ 0
2. Adjustments - Prior Year(s)	0	0
3. Adjustments - Current Year	0	0
4. Current Year Restricted Surplus	0	0
5. Cumulative Total Transferred to Unassigned Funds	\$ 0	\$ 0
E. Amount Assumed Company		Amount Ceded
\$9,225,012	Munich Re	\$0
\$5,760,986	SCOR Re	\$0
\$2,625,820	Southern California Schools Risk Management Association	\$0
\$1,327,326	Missouri Grocers Association Insurance Trust	\$0
F.	N/A	

NOTES TO FINANCIAL STATEMENTS

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination
No significant change since the 12/31/08 Annual Statement.
24. Change in Incurred Losses and Loss Adjustment Expenses
Reserves as of December 31, 2008 were \$1,215 million. As of June 30, 2009 \$48 million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1,170 million. Therefore, there has been a \$3 million unfavorable prior-year development since December 31, 2008. During 2009, \$13 million of discount was accreted for prior accident years.
25. Intercompany Pooling Arrangements
N/A.
26. Structured Settlements
No significant change since the 12/31/08 Annual Statement.
27. Health Care Receivables
N/A.
28. Participating Policies
N/A.
29. Premium Deficiency Reserves
As of June 30, 2009 and December 31, 2008 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 12/31/08 Annual Statement.
31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses
No significant change since the 12/31/08 Annual Statement.
32. Asbestos/Environmental Reserves
No significant change since the 12/31/08 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	1,715,127	1,653,002	348,583	581,425	20,806,558	18,158,074
2. Alaska	AK	L	32,461	204	23,811	113,366	2,378,998	1,961,513
3. Arizona	AZ	L	822,971	397,786	280,747	427,910	12,952,128	10,511,499
4. Arkansas	AR	L	1,890,745	1,799,164	157,996	115,308	7,169,155	7,193,741
5. California	CA	L	16,536,631	11,397,056	3,991,880	3,243,641	76,489,864	69,776,103
6. Colorado	CO	L	2,000,566	1,381,435	771,763	470,187	11,327,983	9,506,442
7. Connecticut	CT	L	698,092	864,922	834,766	364,725	26,535,254	27,241,773
8. Delaware	DE	L	162,262	240,810	305,071	277,265	2,660,633	2,455,920
9. District of Columbia	DC	L	68,783	115,126	7,498		1,146,315	1,255,093
10. Florida	FL	L	2,164,488	3,984,964	5,578,917	3,598,183	72,517,189	66,963,405
11. Georgia	GA	L	5,841,934	5,429,255	1,252,486	2,562,056	36,209,180	36,235,031
12. Hawaii	HI	L	148,500	91,037	3	(139)	945,053	910,429
13. Idaho	ID	L	261,194	326,259			860,909	885,767
14. Illinois	IL	L	11,929,055	10,947,054	5,599,400	5,195,110	153,657,457	144,512,729
15. Indiana	IN	L	1,555,849	1,477,484	154,019	104,346	11,759,447	11,498,467
16. Iowa	IA	L	731,942	639,782	5,911	187,596	8,548,352	5,719,009
17. Kansas	KS	L	4,413,679	3,706,020	433,733	876,901	14,426,699	12,932,195
18. Kentucky	KY	L	811,798	651,725	1,018,348	716,879	19,902,060	17,064,127
19. Louisiana	LA	L	6,757,627	6,873,337	1,240,216	1,693,726	55,733,630	44,767,761
20. Maine	ME	L	1,286,799	1,459,604	345,060	848,484	19,192,303	16,712,282
21. Maryland	MD	L	2,249,136	2,212,133	1,181,011	854,524	22,750,675	14,822,692
22. Massachusetts	MA	L	2,511,646	1,462,091	803,422	1,001,396	36,605,151	26,850,188
23. Michigan	MI	L	1,316,704	980,281	921,531	897,653	29,651,919	29,041,365
24. Minnesota	MN	L	626,579	921,536	14,796	90,611	2,769,988	2,860,154
25. Mississippi	MS	L	3,248,711	3,177,386	1,359,533	1,271,851	27,933,337	25,995,250
26. Missouri	MO	L	6,500,791	6,979,211	1,451,198	1,172,530	52,437,618	50,918,362
27. Montana	MT	L	590,579	554,714	240,255	37,699	2,708,949	2,305,825
28. Nebraska	NE	L	331,945	36,758	12,922		4,361,400	3,873,398
29. Nevada	NV	L	3,580,612	4,642,338	429,920	286,787	18,899,909	16,541,448
30. New Hampshire	NH	L	992,555	1,043,107			1,923,615	2,213,195
31. New Jersey	NJ	L	2,401,279	2,172,133	1,155,975	1,067,873	31,344,659	30,229,373
32. New Mexico	NM	L	552,131	615,832	145,771	163,465	5,438,820	4,819,298
33. New York	NY	L	12,871,829	13,399,072	1,075,845	579,379	99,034,744	96,893,750
34. North Carolina	NC	L	2,459,004	3,352,597	1,296,590	535,997	23,999,892	19,129,514
35. North Dakota	ND	L	1,502	3,012			2,223	1,761
36. Ohio	OH	L	6,162,816	5,484,679	5,330,321	2,850,314	85,272,120	79,571,848
37. Oklahoma	OK	L	1,717,592	1,323,864	285,609	760,897	26,396,638	15,816,354
38. Oregon	OR	L	1,755,266	488,139	134,128	74,620	4,677,939	3,914,943
39. Pennsylvania	PA	L	8,429,777	8,899,031	3,554,788	2,258,385	68,021,643	63,722,118
40. Rhode Island	RI	L	127,691	106,484			602,839	659,616
41. South Carolina	SC	L	2,929,498	1,911,071	333,609	54,018	9,510,235	7,568,943
42. South Dakota	SD	L	317,738	318,572	652,135	28,436	3,698,546	3,939,822
43. Tennessee	TN	L	2,286,019	1,274,866	378,243	334,088	15,916,633	14,523,285
44. Texas	TX	L	4,441,866	2,837,579	634,532	493,080	39,043,616	39,623,065
45. Utah	UT	L	1,002,254	446,109	79,493	20,554	5,543,139	3,984,124
46. Vermont	VT	L	655,877	633,105	39,558	22,136	1,399,424	1,465,425
47. Virginia	VA	L	5,687,033	5,568,427	453,130	515,726	21,825,785	16,551,837
48. Washington	WA	L	6,785,926	5,336,398	1,656,879	884,378	46,185,032	43,647,304
49. West Virginia	WV	L	25,538	11,943	94,059		3,061,617	3,421,309
50. Wisconsin	WI	L	1,550,554	1,503,911	309,318	279,172	18,416,556	10,627,240
51. Wyoming	WY	L	1,667	1,375			2,378	1,924
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	N						
55. U. S. Virgin Islands	VI	N						
56. Northern Mariana Islands	MP	N						
57. Canada	CN	L	3,655,798	3,842,999			6,401,997	1,861,487
58. Aggregate Other Alien	OT	X X X					30,635	30,039
59. Totals	(a)	51	147,598,416	134,976,779	46,374,779	37,912,538	1,271,088,538	1,143,687,616
DETAILS OF WRITE-INS								
5801. Bermuda		X X X					30,635	30,039
5802.		X X X						
5803.		X X X						
5898. Summary of remaining write-ins for Line 58 from overflow page		X X X						
5899. TOTALS (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)		X X X					30,635	30,039

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