



QUARTERLY STATEMENT

AS OF MARCH 31, 2007

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

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

Main Administrative Office 2043 Woodland Parkway, St. Louis, Missouri 63146-4235 314-995-5300

Mail Address 2043 Woodland Parkway, St. Louis, Missouri 63146-4235

Primary Location of Books and Records 2043 Woodland Parkway, St. Louis, Missouri 63146-4235 314-995-5300

Internet Website Address www.sncc.com

Statutory Statement Contact John Paul Csik 314-995-5300-316 john.csik@sncc.com

Policyowner Relations Contact 2043 Woodland Parkway, St. Louis, Missouri 63146-4235 314-995-5300-200

OFFICERS

- 1. Terrence Todd Schoeninger (President)
2. Jeffrey William Otto (Secretary)
3. Duane Allen Hercules (Treasurer)

OTHER OFFICERS

John Paul Csik
Eugene Raymond Maier
Stuart Michael Presson
Carleton Sherwood Reynolds, III
Gerald Roger Scott
Mark Andrew Wilhelm

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

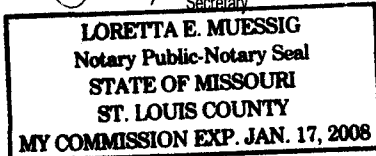
State of Missouri } SS
County of St. Louis }

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.

Signature of Terrence Todd Schoeninger, President

Signature of Jeffrey William Otto, Secretary

Signature of Duane Allen Hercules, Treasurer



Subscribed and sworn to before me this 1st day of May 2007 Loretta E. Muessig

Is this an original filing? Yes (X) No ( )
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	1,218,798,583		1,218,798,583	1,126,407,861
2. Stocks:				
2.1 Preferred stocks	46,859,903		46,859,903	40,876,750
2.2 Common stocks	38,255,374		38,255,374	33,400,691
3. Mortgage loans on real estate:				
3.1 First liens	30,739,723	636,903	30,102,820	19,956,874
3.2 Other than first liens	2,173,280	895,515	1,277,765	1,333,033
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)	8,666,882		8,666,882	8,717,065
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 20,881,144 ), cash equivalents (\$ ) and short-term investments (\$ 44,189,552 )	65,070,696		65,070,696	129,981,609
6. Contract loans (including \$ premium notes)				
7. Other invested assets	108,145,153		108,145,153	81,892,517
8. Receivables for securities	4,622,461		4,622,461	4,490,783
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Line 1 to Line 9)	1,523,332,055	1,532,418	1,521,799,637	1,447,057,183
11. Title plants less \$ charged off (for Title insurers only)				
12. Investment income due and accrued	15,669,536	58,337	15,611,199	16,468,104
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	24,979,943	3,770,919	21,209,024	18,153,839
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,514,889 earned but unbilled premiums)	39,644,403		39,644,403	24,521,223
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	3,267,674		3,267,674	4,915,511
14.2 Funds held by or deposited with reinsured companies	1,288,052		1,288,052	1,655,338
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				
16.2 Net deferred tax asset	5,882,731		5,882,731	5,400,840
17. Guaranty funds receivable or on deposit	869,592		869,592	1,045,630
18. Electronic data processing equipment and software	755,056	265,256	489,800	528,744
19. Furniture and equipment, including health care delivery assets (\$ )	299,221	299,221		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	1,240,284		1,240,284	781,039
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)	1,619,611,572	5,926,151	1,613,685,421	1,522,910,476
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Totals (Line 24 and Line 25)	1,619,611,572	5,926,151	1,613,685,421	1,522,910,476
<b>DETAILS OF WRITE-INS</b>				
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 \$ 46,993,380 )	949,597,315	911,622,858
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	25,195,429	26,049,302
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	10,616,047	11,967,632
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	7,108,958	7,217,034
7.1 Current federal and foreign income taxes (including \$ (50,287) on realized capital gains (losses))	2,405,871	741,214
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 12,988,806 and including warranty reserves of \$ )	133,127,920	102,653,059
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	8,503,272	6,590,352
13. Funds held by company under reinsurance treaties	3,113,314	3,400,537
14. Amounts withheld or retained by company for account of others	21,728,517	14,996,150
15. Remittances and items not allocated	2,865,388	637,202
16. Provision for reinsurance	4,572,800	4,610,400
17. Net adjustments in assets and liabilities due to foreign exchange rates		571
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities	12,478,189	11,883,874
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ and interest thereon \$		
23. Aggregate write-ins for liabilities	4,540,662	4,514,039
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	1,185,853,682	1,106,884,224
25. Protected cell liabilities		
26. Total liabilities (Line 24 and Line 25)	1,185,853,682	1,106,884,224
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		
32. Gross paid in and contributed surplus	51,850,061	51,850,061
33. Unassigned funds (surplus)	345,981,678	334,176,191
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)	427,831,739	416,026,252
36. Totals	1,613,685,421	1,522,910,476
<b>DETAILS OF WRITE-INS</b>		
2301. Forward Contracts	4,540,662	4,514,039
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)	4,540,662	4,514,039
2701.		
2702.		
2703.		
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.		
3002.		
3003.		
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
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 102,601,795 )	75,219,277	68,154,545	288,240,610
1.2 Assumed (written \$ 17,231,899 )	10,060,832	5,480,646	42,824,575
1.3 Ceded (written \$ 11,427,929 )	7,311,178	10,278,607	29,986,569
1.4 Net (written \$ 108,405,765 )	77,968,931	63,356,584	301,078,616
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 46,993,380 ):			
2.1 Direct	63,802,196	41,088,846	203,005,174
2.2 Assumed	3,636,542	3,682,886	33,890,737
2.3 Ceded	8,580,709	18,274	14,311,294
2.4 Net	58,858,029	44,753,458	222,584,617
3. Loss expenses incurred	1,098,644	1,202,300	7,672,116
4. Other underwriting expenses incurred	24,623,634	22,847,254	74,022,570
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Line 2 through Line 5)	84,580,307	68,803,012	304,279,303
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(6,611,376)	(5,446,428)	(3,200,687)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	19,889,537	13,893,088	62,325,579
10. Net realized capital gains (losses) less capital gains tax of \$ (50,287)	(937,773)	(187,397)	(1,991,001)
11. Net investment gain (loss) (Line 9 plus Line 10)	18,951,764	13,705,691	60,334,578
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 259 amount charged off \$ (135,125))	(134,866)	447	(9,331)
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Line 12 through Line 14)	(134,866)	447	(9,331)
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)	12,205,522	8,259,710	57,124,560
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)	12,205,522	8,259,710	57,124,560
19. Federal and foreign income taxes incurred	3,401,772	2,475,456	14,786,231
20. Net income (Line 18 minus Line 19) (to Line 22)	8,803,750	5,784,254	42,338,329
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	416,026,252	359,118,221	359,118,221
22. Net income (from Line 20)	8,803,750	5,784,254	42,338,329
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 87,286	5,057,006	956,998	11,664,596
25. Change in net unrealized foreign exchange capital gain (loss)	3,913		(391,041)
26. Change in net deferred income tax	569,177	1,694,082	1,437,969
27. Change in nonadmitted assets	(1,665,959)	(664,900)	428,378
28. Change in provision for reinsurance	37,600	971,786	2,429,800
29. Change in surplus notes			
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			
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)
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)	11,805,487	8,742,220	56,908,031
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	427,831,739	367,860,441	416,026,252
<b>DETAILS OF WRITE-INS</b>			
0501.			
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)			
1401.			
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)			
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 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	93,709,314	311,210,286
2. Net investment income	20,712,418	61,454,448
3. Miscellaneous income	232,420	472,174
4. Total (Line 1 through Line 3)	114,654,152	373,136,908
5. Benefit and loss related payments	19,667,047	88,499,343
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	27,285,912	76,345,319
7. Commissions, expenses paid and aggregate write-ins for deductions	1,686,828	10,839,752
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)	48,639,787	175,684,414
11. Net cash from operations (Line 4 minus Line 10)	66,014,365	197,452,494
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	19,095,516	163,185,339
12.2 Stocks	608,996	13,330,179
12.3 Mortgage loans	6,113,919	4,907,516
12.4 Real estate	(38,334)	9,888
12.5 Other invested assets	414,914	6,329,222
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	462,637	
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	26,657,648	187,762,144
13. Cost of investments acquired (long-term only):		
13.1 Bonds	112,264,101	275,562,410
13.2 Stocks	11,201,120	16,511,247
13.3 Mortgage loans	17,610,766	3,272,068
13.4 Real estate		
13.5 Other invested assets	21,915,523	25,874,948
13.6 Miscellaneous applications		
13.7 Total investments acquired (Line 13.1 through Line 13.6)	162,991,510	321,220,673
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)	(136,333,862)	(133,458,529)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	1,000,000	1,000,000
16.6 Other cash provided (applied)	6,408,584	11,287,742
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	5,408,584	10,287,742
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(64,910,913)	74,281,707
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	129,981,609	55,699,902
19.2 End of period (Line 18 plus Line 19.1)	65,070,696	129,981,609

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

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 covered 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 March 31, 2007

## Assets

Line 13.1	Uncollected premiums and agents' balances in the course of collection	\$ 171,000
Line 13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due	112,000
Line 26	Total Assets	\$ 283,000

## Liabilities, Surplus and Other Funds

Line 1	Losses	\$ 7,487,000
Line 26	Total liabilities	\$ 7,487,000

Statement of Income as of September 30, 2006

Line 1	Premiums earned	\$ 191,000
Line 2	Losses incurred	293,000
Line 4	Other underwriting expenses incurred	(8,000)
Line 6	Total underwriting deductions	285,000
Line 8	Net underwriting loss	(94,000)
Line 9	Net investment gain	94,000
Line 16	Net loss before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	0
Line 18	Net loss, after dividends to policyholders, 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 loss	\$ 0

## 5. Investments

The following represents the only significant change since the 12/31/06 Annual Statement:

## A. Mortgage Loans

- (1) During 2007, the Company acquired commercial mortgages with maximum and minimum lending rates between 15.25% and 10%, respectively and one mezzanine loan with a lending rate of 16%.

## 6. Joint Ventures, Partnerships and Limited Liability Companies

N/A.

## 7. Investment Income

No significant change since the 12/31/06 Annual Statement.

## 8. Derivative Instruments

No significant change since the 12/31/06 Annual Statement.

## 9. Income Taxes

The following represents the only significant changes since the 12/31/06

## NOTES TO FINANCIAL STATEMENTS

Annual Statement:

- A. The components of the net deferred tax asset at March 31 were as follows:

Total of gross deferred tax assets	\$17,556,153
Total of deferred tax liabilities	<u>\$11,673,422</u>
Net deferred tax asset	5,882,731
Deferred tax asset nonadmitted	\$ 0
Net admitted deferred tax asset	<u>\$ 5,882,731</u>
(Increase) decrease in nonadmitted asset	\$ 0

- C. The provisions for incurred taxes on earnings as of March 31 are:

Current year expense	\$3,401,772
Realized capital gains tax	<u>(50,287)</u>
Current income tax expense	<u>\$3,351,485</u>

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

	March 31, 2007
DTA's	
Unearned premiums	\$ 7,832,428
Reserves	5,007,155
Agents' balances	1,319,822
Renewal Rights	1,174,833
Net unrealized capital losses	1,013,468
Bonds	651,683
Other	<u>556,764</u>
Total DTAs	<u>17,556,153</u>
Nonadmitted DTAs	0
Admitted DTAs	<u>17,556,153</u>
DTL's	
Preferred stock	8,308,651
Net unrealized capital gains	2,285,162
Other	719,914
Real Estate	<u>359,695</u>
Total DTL	<u>11,673,422</u>
Net admitted DTA	<u>\$ 5,882,731</u>

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

	March 31, 2007	December 31, 2006	Change
Total DTAs	\$17,556,153	\$16,179,936	\$ 1,376,217
Total DTLs	<u>11,673,422</u>	<u>10,779,096</u>	<u>894,326</u>
Net DTA	<u>5,882,731</u>	<u>5,400,840</u>	<u>481,891</u>

Tax effect of unrealized gains(losses)	87,286
Change in net deferred income tax	<u>\$ 569,177</u>

- 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	\$4,254,332	35.0%
Tax-exempt interest	(2,575,760)	(21.2)
Other	<u>1,103,736</u>	<u>9.1</u>
Total	<u>\$2,782,308</u>	22.9%
Federal income taxes incurred	\$3,401,772	28.0%
Realized Capital gains tax	(50,287)	( 0.4%)
Change in net deferred income taxes	<u>(569,177)</u>	<u>( 4.7%)</u>
Total statutory income taxes	<u>\$2,782,308</u>	22.9%

- 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. 2007	\$ 3,301,678
b. 2006	\$15,060,340
c. 2005	\$ 1,802,917

**NOTES TO FINANCIAL STATEMENTS**

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10. Information Concerning Parent, Subsidiaries and Affiliates
- The following represents the only significant changes since the 12/31/06 Annual Statement:
- A., B., C. The Company acquired an interest in three affiliated entities during 2003. In 2007 the Company made an additional contribution to one of these entities in the amount of \$16,500,000. At March 31, 2007 the total investment amounts to \$64,093,776.
- The Company paid preferred stock dividends to DFG as follows:  
January 2007 \$1,000,000.
11. Debt
- N/A.
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
- No significant change since the 12/31/06 Annual Statement.
13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations
- The following represents the only significant change since the 12/31/06 Annual Statement:
- (9) Unrealized gains of \$21,806,911.
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 12/31/06 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. September 11 Events
- The Company experienced claims as a result of the events of September 11, 2001. Losses were incurred in the Company's excess workers' compensation and assumed reinsurance lines of business. In the 2001 financial statements, the Company recorded gross losses incurred of \$9,700,000, and net of reinsurance losses incurred of \$6,300,000. The Company also recorded reinstatement premiums of \$300,000. In 2005, the gross losses incurred were decreased by \$2.1 million, while net of reinsurance losses incurred remained unchanged. In 2006, no significant revisions to the estimates were recorded. In 2007, the gross losses incurred were decreased by \$0.9 million, while net of reinsurance losses incurred remained unchanged.
21. Other Items
- The following represents the only significant change since the 12/31/06 Annual Statement:
- D. At March 31, 2007 and December 31, 2006 the Company had admitted assets of \$60,853,427 and \$42,675,062, 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.
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**NOTES TO FINANCIAL STATEMENTS**

22. Events Subsequent

N/A.

23. Reinsurance

The following represents the only significant changes since the 12/31/06 Annual Statement:

C. Reinsurance Assumed and Ceded

(1)	Assumed		Ceded		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Related	\$ 1,233,676	\$ 0	\$ 0	\$ 0	\$1,233,676	\$ 0
Other	12,531,104	800,924	12,988,807	1,613,106	(457,703)	(812,182)
Total	\$ 13,764,780	\$800,924	\$12,988,807	\$1,613,106	\$ 775,973	\$ (812,182)

Direct Unearned Premium Reserve \$132,351,947.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No significant change since the 12/31/06 Annual Statement.

25. Change in Incurred Losses and Loss Adjustment Expenses

No significant change since the 12/31/06 Annual Statement.

26. Intercompany Pooling Arrangements

N/A.

27. Structured Settlements

No significant change since the 12/31/06 Annual Statement.

28. Health Care Receivables

N/A.

29. Participating Policies

N/A.

30. Premium Deficiency Reserves

As of March 31, 2007 and December 31, 2006 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.

31. High Deductibles

No significant change since the 12/31/06 Annual Statement.

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

No significant change since the 12/31/06 Annual Statement.

33. Asbestos/Environmental Reserves

No significant change since the 12/31/06 Annual Statement.

34. Subscriber Savings Accounts

N/A.

35. Multiple Peril Crop Insurance

N/A.

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Current Year to Date - Allocated by States and Territories

States, etc.	1 Is Insurer Licensed? (Yes or No)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
		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	Yes	1,290,046	1,276,993	513,635	285,326	19,649,208	23,024,426
2. Alaska	AK	Yes	3,087	103			1,734,800	1,510,577
3. Arizona	AZ	Yes	150,882	164,164	7,215	98,128	10,638,378	8,765,677
4. Arkansas	AR	Yes	1,693,643	1,159,521	26,803	23,924	6,376,743	5,010,288
5. California	CA	Yes	12,714,646	13,787,258	898,376	1,580,524	62,661,600	56,635,635
6. Colorado	CO	Yes	935,876	1,068,590	63,993	326,828	9,736,111	7,588,812
7. Connecticut	CT	Yes	399,363	151,102	229,676	342,535	18,592,016	9,743,632
8. Delaware	DE	Yes	135,059	27,373	157,259	216,134	3,003,548	2,903,625
9. District of Columbia	DC	Yes	97,192	317	5,649	8,131	1,263,409	1,144,525
10. Florida	FL	Yes	1,812,347	1,065,206	573,362	1,802,125	62,389,032	55,695,998
11. Georgia	GA	Yes	4,503,085	4,875,012	(329,362)	885,210	31,582,930	28,617,558
12. Hawaii	HI	Yes	224,447	226,951		8,951	696,749	548,283
13. Idaho	ID	Yes	14,082	12,085			508,817	408,328
14. Illinois	IL	Yes	5,576,882	6,442,896	2,189,354	1,551,059	129,100,461	101,571,473
15. Indiana	IN	Yes	923,851	1,142,028	173,840	240,395	15,256,792	7,992,046
16. Iowa	IA	Yes	25,932	205,032	393,092	19,836	5,161,050	4,421,927
17. Kansas	KS	Yes	3,483,424	4,247,353	(74,343)	9,464	10,342,620	9,979,900
18. Kentucky	KY	Yes	521,509	333,731	478,597	343,219	16,667,680	17,030,206
19. Louisiana	LA	Yes	3,193,287	3,181,171	798,828	213,849	34,612,176	31,078,675
20. Maine	ME	Yes	1,388,685	1,337,345	146,497	102,455	16,320,824	16,934,076
21. Maryland	MD	Yes	1,814,945	1,341,376	23,108	394,750	11,052,579	8,875,569
22. Massachusetts	MA	Yes	1,089,715	1,257,176	710,563	813,046	24,522,604	21,376,496
23. Michigan	MI	Yes	2,013,863	1,460,907	128,374	3,242,177	32,244,310	24,061,172
24. Minnesota	MN	Yes	688,640	787,039	29,376	45,975	2,486,479	2,048,198
25. Mississippi	MS	Yes	2,521,915	2,502,294	294,602	345,453	20,063,666	10,814,746
26. Missouri	MO	Yes	5,421,408	7,248,494	249,017	138,019	45,397,820	41,870,915
27. Montana	MT	Yes	231,210	265,457	209,968	50,969	1,691,871	1,816,295
28. Nebraska	NE	Yes	47,524	29,776		19,896	4,306,868	4,013,696
29. Nevada	NV	Yes	3,797,909	669,819	131,523	30,115	14,412,216	10,867,619
30. New Hampshire	NH	Yes	1,323,133	1,360,824			1,836,718	1,639,275
31. New Jersey	NJ	Yes	2,305,284	2,026,679	414,729	589,735	27,902,872	25,474,759
32. New Mexico	NM	Yes	856,905	718,442	68,966	20,086	3,548,202	2,477,231
33. New York	NY	Yes	10,623,298	11,529,441	680,968	261,726	60,344,119	45,566,492
34. North Carolina	NC	Yes	2,398,014	2,559,779	566,374	1,270,236	18,362,302	18,566,139
35. North Dakota	ND	Yes	538	1,018			606	4,047
36. Ohio	OH	Yes	4,756,923	5,680,199	1,583,260	1,361,385	70,396,751	70,748,175
37. Oklahoma	OK	Yes	563,030	536,667	693,166	19,725	11,703,292	8,191,359
38. Oregon	OR	Yes	361,236	1,887,198	301,485	1,567	3,484,759	2,985,098
39. Pennsylvania	PA	Yes	6,130,842	6,517,787	1,296,881	1,477,268	57,292,410	40,527,286
40. Rhode Island	RI	Yes	66,151	97,205			675,537	537,315
41. South Carolina	SC	Yes	1,860,070	747,249	16,841	16,835	6,472,168	3,879,729
42. South Dakota	SD	Yes	480,998	573,607	25,232	18,142	2,740,165	1,977,763
43. Tennessee	TN	Yes	773,793	1,273,710	331,556	193,825	14,681,465	12,551,413
44. Texas	TX	Yes	2,296,380	1,755,037	646,520	521,522	39,445,029	34,727,309
45. Utah	UT	Yes	359,127	431,414	672		4,140,470	3,292,030
46. Vermont	VT	Yes	660,829	697,516	13,369	4,583	1,126,156	595,472
47. Virginia	VA	Yes	1,353,309	1,242,480	126,154	497,675	12,296,168	10,349,269
48. Washington	WA	Yes	4,499,394	4,250,940	405,378	438,658	37,284,097	33,393,304
49. West Virginia	WV	Yes	12,778	86,728	149,560	189,316	3,527,981	3,543,081
50. Wisconsin	WI	Yes	932,866	1,048,208	38,528	11,620	5,930,703	3,177,646
51. Wyoming	WY	Yes	812	380			1,676	503
52. American Samoa	AS	No						
53. Guam	GU	No						
54. Puerto Rico	PR	No						
55. U. S. Virgin Islands	VI	No						
56. Northern Mariana Islands	MP	No						
57. Canada	CN	Yes	3,271,631				1,617,483	
58. Aggregate Other Alien	OT	XXX					55,208	32,735
59. Totals	(a) 51		102,601,795	101,289,077	15,388,641	20,032,437	997,339,694	840,587,803
<b>DETAILS OF WRITE-INS</b>								
5801. Bermuda	XXX						55,208	32,735
5802.	XXX							
5803.	XXX							
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX							
5899. TOTALS (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)	XXX						55,208	32,735

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