



# QUARTERLY STATEMENT

AS OF MARCH 31, 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 314-995-5300-316  
(Name) (Area Code) (Telephone Number) (Extension)  
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### OFFICERS

Terrence Todd Schoeninger (President)  
 Jeffrey William Otto (Secretary)  
 Duane Allen Hercules (Treasurer)

### OTHER OFFICERS

John Paul Csik  
 Eugene Raymond Maier  
 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 }  
 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.

\_\_\_\_\_  
 Terrence Todd Schoeninger  
 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 \_\_\_\_\_
- 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	1,328,028,332		1,328,028,332	1,264,134,768
2. Stocks:				
2.1 Preferred stocks	39,385,818		39,385,818	37,305,103
2.2 Common stocks	60,067,910		60,067,910	51,449,168
3. Mortgage loans on real estate:				
3.1 First liens	11,583,643	818,385	10,765,258	30,461,641
3.2 Other than first liens	2,789,979	830,386	1,959,593	1,577,804
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances)	15,020,087		15,020,087	10,834,430
4.2 Properties held for the production of income (less \$ ..... encumbrances)				
4.3 Properties held for sale (less \$ ..... encumbrances)	13,996,503		13,996,503	4,004,209
5. Cash (\$ ..... 15,359,018 ), cash equivalents (\$ ..... ) and short-term investments (\$ ..... 100,248,559 )	115,607,577		115,607,577	97,702,328
6. Contract loans (including \$ ..... premium notes)				
7. Other invested assets	84,131,007		84,131,007	178,505,018
8. Receivables for securities	13,610,272		13,610,272	14,577,750
9. Aggregate write-ins for invested assets	29,859		29,859	92,794
10. Subtotals, cash and invested assets (Line 1 to Line 9)	1,684,250,987	1,648,771	1,682,602,216	1,690,645,013
11. Title plants less \$ ..... charged off (for Title insurers only)				
12. Investment income due and accrued	17,745,991	25,556	17,720,435	18,379,479
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	21,105,322	3,511,203	17,594,119	18,950,381
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... 2,696,913 earned but unbilled premiums)	40,242,000		40,242,000	27,746,038
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	7,344,938		7,344,938	7,525,240
14.2 Funds held by or deposited with reinsured companies	611,695		611,695	626,366
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	224,074		224,074	
16.2 Net deferred tax asset	19,383,522	10,591,938	8,791,584	10,411,967
17. Guaranty funds receivable or on deposit	741,290		741,290	772,593
18. Electronic data processing equipment and software	1,421,008	1,005,032	415,976	427,836
19. Furniture and equipment, including health care delivery assets (\$ ..... )	467,441	467,441		
20. Net adjustment in assets and liabilities due to foreign exchange rates	63		63	66
21. Receivables from parent, subsidiaries and affiliates	1,109,739		1,109,739	676,975
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)	1,797,031,095	17,249,941	1,779,781,154	1,778,544,979
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Totals (Line 24 and Line 25)	1,797,031,095	17,249,941	1,779,781,154	1,778,544,979
<b>DETAILS OF WRITE-INS</b>				
0901. Swaps	29,859		29,859	92,794
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)	29,859		29,859	92,794
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 \$ 53,982,532 )	1,079,030,289	1,041,452,991
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	30,205,131	29,894,118
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	12,771,625	15,190,401
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	6,215,871	5,371,568
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		8,651,225
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 10,518,084 and including warranty reserves of \$ )	127,824,494	102,369,575
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	6,647,735	5,872,130
13. Funds held by company under reinsurance treaties	2,685,198	2,662,850
14. Amounts withheld or retained by company for account of others	18,286,939	19,204,159
15. Remittances and items not allocated	2,785,495	5,621,140
16. Provision for reinsurance	5,822,000	6,060,200
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	18,882,053	1,885,851
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ and interest thereon \$		
23. Aggregate write-ins for liabilities	4,060,111	71,357,277
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	1,315,216,941	1,315,593,485
25. Protected cell liabilities		
26. Total liabilities (Line 24 and Line 25)	1,315,216,941	1,315,593,485
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)	382,714,152	381,101,433
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)	464,564,213	462,951,494
36. Totals	1,779,781,154	1,778,544,979
<b>DETAILS OF WRITE-INS</b>		
2301. Forward Contracts	4,060,111	3,935,916
2302. Payable for Security Transactions Not Yet Settled		67,421,361
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)	4,060,111	71,357,277
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 \$ 92,681,813 )	71,520,346	75,219,277	297,106,714
1.2 Assumed (written \$ 16,062,778 )	9,136,689	10,060,832	35,751,975
1.3 Ceded (written \$ 8,530,813 )	5,948,647	7,311,178	28,689,423
1.4 Net (written \$ 100,213,778 )	74,708,388	77,968,931	304,169,266
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 53,982,532 ):			
2.1 Direct	49,531,590	63,802,196	222,176,351
2.2 Assumed	5,307,884	3,636,542	17,459,048
2.3 Ceded	2,641,124	8,580,709	22,181,968
2.4 Net	52,198,350	58,858,029	217,453,431
3. Loss adjustment expenses incurred	1,007,625	1,098,644	9,681,840
4. Other underwriting expenses incurred	23,265,241	24,623,634	78,784,430
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Line 2 through Line 5)	76,471,216	84,580,307	305,919,701
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(1,762,828)	(6,611,376)	(1,750,435)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	25,246,637	19,889,537	80,902,230
10. Net realized capital gains (losses) less capital gains tax of \$ (111,949)	(1,155,111)	(937,773)	(2,051,446)
11. Net investment gain (loss) (Line 9 plus Line 10)	24,091,526	18,951,764	78,850,784
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 296 amount charged off \$ (149))	147	(134,866)	(186,390)
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)	147	(134,866)	(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)	22,328,845	12,205,522	76,913,959
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)	22,328,845	12,205,522	76,913,959
19. Federal and foreign income taxes incurred	1,368,188	3,401,772	22,985,845
20. Net income (Line 18 minus Line 19) (to Line 22)	20,960,657	8,803,750	53,928,114
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	462,951,494	416,026,252	416,026,252
22. Net income (from Line 20)	20,960,657	8,803,750	53,928,114
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (3,258,301)	(14,699,129)	5,057,006	(4,341,132)
25. Change in net unrealized foreign exchange capital gain (loss)	(590,712)	3,913	2,146,122
26. Change in net deferred income tax	(585,196)	569,177	8,920,586
27. Change in nonadmitted assets	(2,711,101)	(1,665,959)	(10,278,648)
28. Change in provision for reinsurance	238,200	37,600	(1,449,800)
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)	(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)	1,612,719	11,805,487	46,925,242
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	464,564,213	427,831,739	462,951,494
<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	2
	Current Year To Date	Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	90,931,970	298,104,270
2. Net investment income	25,960,005	78,134,936
3. Miscellaneous income	14,818	842,582
4. Total (Line 1 through Line 3)	116,906,793	377,081,788
5. Benefit and loss related payments	14,402,811	88,658,188
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	25,365,293	83,893,192
7. Commissions, expenses paid and aggregate write-ins for deductions	10,131,538	14,619,532
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)	49,899,642	187,170,912
11. Net cash from operations (Line 4 minus Line 10)	67,007,151	189,910,876
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	53,617,038	200,480,884
12.2 Stocks	2,396,218	9,561,365
12.3 Mortgage loans	20,912,041	9,199,593
12.4 Real estate	1,850,000	1,850,000
12.5 Other invested assets	105,852,378	16,126,806
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	(2,271,352)	46,665,453
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	182,356,323	283,884,101
13. Cost of investments acquired (long-term only):		
13.1 Bonds	127,235,652	341,642,746
13.2 Stocks	13,963,682	28,563,959
13.3 Mortgage loans	838,290	22,137,904
13.4 Real estate	16,027,951	8,171,381
13.5 Other invested assets	17,677,427	108,169,149
13.6 Miscellaneous applications	50,425,159	
13.7 Total investments acquired (Line 13.1 through Line 13.6)	226,168,161	508,685,139
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)	(43,811,838)	(224,801,038)
<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	2,000,000
16.6 Other cash provided (applied)	(4,290,064)	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)	(5,290,064)	2,610,881
<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)	17,905,249	(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)	115,607,577	97,702,328

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 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 March 31, 2008

## Assets

Line 13.1	Uncollected premiums and agents' balances in the course of collection	\$162,000
Line 13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due	0
Line 26	Total Assets	\$162,000

## Liabilities, Surplus and Other Funds

Line 1	Losses	\$4,186,000
Line 26	Total liabilities	\$4,186,000

Statement of Income as of March 31, 2008

Line 1	Premiums earned	\$ 29,000
Line 2	Losses incurred	50,000
Line 4	Other underwriting expenses incurred	9,000
Line 6	Total underwriting deductions	59,000
Line 8	Net underwriting loss	(30,000)
Line 9	Net investment gain	30,000
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 \$2,103,735, excluding accrued interest in the amount of \$575,387.

## 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.

**NOTES TO FINANCIAL STATEMENTS**

## 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 March 31 were as follows:

Total of gross deferred tax assets	\$21,608,107
Total of deferred tax liabilities	<u>2,224,585</u>
Net deferred tax asset	19,383,522
Deferred tax asset nonadmitted	<u>\$10,591,938</u>
Net admitted deferred tax asset	\$ 8,791,584
Increase in nonadmitted asset	\$(4,294,118)

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

Current year expense	\$1,368,188
Realized capital gains tax	(111,949)
Current income tax expense	\$1,256,239

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	\$6,520,942
Net unrealized capital losses	5,599,066
Reserves	5,138,289
Agents' balances	1,228,921
Renewal Rights	1,086,167
Bonds	1,057,077
Non-admitted assets	586,014
Other	333,264
Real Estate	<u>58,367</u>
Total DTAs	21,608,107
Nonadmitted DTAs	<u>10,591,938</u>
Admitted DTAs	11,016,169
DTL's	
Net unrealized capital gains	1,136,182
Preferred stock	373,032
Partnerships/LLC's	715,371
Total DTL	<u>2,224,585</u>
Net admitted DTA	\$ 8,791,584

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

	March 31, 2008	Dec 31, 2007	Change
Total DTAs	\$21,608,107	\$19,058,878	\$2,549,229
Total DTLs	<u>2,224,585</u>	<u>2,349,091</u>	(124,506)
Net DTA	19,383,522	16,709,787	2,673,735

Tax effect of unrealized gains	(3,258,931)
Change in net deferred income tax	(585,196)

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	\$7,775,914	35.0%
Tax-exempt interest	(3,133,085)	(14.1)
Other	<u>(2,801,394)</u>	<u>(12.6)</u>
Total	\$1,841,435	8.3%
Federal income taxes incurred	\$1,368,188	6.2%
Realized capital gains tax	(111,949)	(0.5%)

**NOTES TO FINANCIAL STATEMENTS**

Change in net deferred income taxes	<u>585,196</u>	<u>2.6%</u>
Total statutory income taxes	\$1,841,435	8.3%

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	\$	232,225
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 March 31, 2008 and December 31, 2007 the total investment amounts to \$51,961,296 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 March 31, 2008, the Company reported \$1,109,739 as amounts due from Subsidiary Companies, \$1,082,739 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 \$6,473,441.

## 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.

## 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 March 31, 2008 and December 31, 2007 the Company had admitted assets of \$57,836,119 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.

**NOTES TO FINANCIAL STATEMENTS**

I. As of March 31, 2008, the Company owned subprime Residential Mortgage Backed Securities with a cost, book adjusted carrying value and fair value of \$10,677,095, \$10,759,952 and \$7,526,747, respectively.

21. Events Subsequent

N/A.

22. Reinsurance

C. Reinsurance Assumed and Ceded

(1)	Assumed		Ceded		Net	
	Reinsurance Premium Reserve	Commission Equity	Reinsurance Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Related	\$1,196,971	\$ 0	\$ 0	\$ 0	\$1,196,971	\$ 0
Other	16,055,554	1,174,676	10,518,085	1,162,837	5,537,469	11,839
Total	\$17,252,525	\$1,174,676	\$10,518,085	\$1,162,837	\$6,734,440	\$11,839

Direct Unearned Premium Reserve \$121,090,054.

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

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years have decreased by \$5,700,000 primarily as a result of favorable claims development with an offsetting increase due to accretion of discount. No additional premiums have been accrued as a result of the increases to prior year loss and loss adjustment expense reserves.

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 March 31, 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.

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	1,454,926	1,290,046	266,817	513,635	18,101,479	19,649,208
2. Alaska	AK	L	74	3,087			2,009,724	1,734,800
3. Arizona	AZ	L	257,487	150,882	9,678	7,215	11,472,738	10,638,378
4. Arkansas	AR	L	1,713,243	1,693,643	82,356	26,803	7,372,775	6,376,743
5. California	CA	L	8,474,688	12,714,646	1,378,789	898,376	70,184,694	62,661,600
6. Colorado	CO	L	839,836	935,876	178,038	63,993	9,646,595	9,736,111
7. Connecticut	CT	L	380,566	399,363	227,164	229,676	17,891,988	18,592,016
8. Delaware	DE	L	157,578	135,059	166,126	157,259	2,849,351	3,003,548
9. District of Columbia	DC	L	111,742	97,192		5,649	1,368,642	1,263,409
10. Florida	FL	L	1,390,549	1,812,347	1,561,141	573,362	63,737,334	62,389,032
11. Georgia	GA	L	3,845,944	4,503,085	1,214,547	(329,362)	35,870,778	31,582,930
12. Hawaii	HI	L	72,670	224,447	(139)		936,052	696,749
13. Idaho	ID	L	24,721	14,082			717,493	508,817
14. Illinois	IL	L	6,223,024	5,576,882	3,117,164	2,189,354	140,018,385	129,100,461
15. Indiana	IN	L	1,045,171	923,851	84,460	173,840	13,343,906	15,256,792
16. Iowa	IA	L	31,872	25,932	138,981	393,092	5,678,271	5,161,050
17. Kansas	KS	L	3,285,192	3,483,424	474,291	(74,343)	12,412,608	10,342,620
18. Kentucky	KY	L	421,641	521,509	293,642	478,597	16,915,032	16,667,680
19. Louisiana	LA	L	3,340,713	3,193,287	1,056,939	798,828	43,175,445	34,612,176
20. Maine	ME	L	1,281,103	1,388,685	269,974	146,497	17,053,893	16,320,824
21. Maryland	MD	L	1,909,865	1,814,945	454,003	23,108	14,670,351	11,052,579
22. Massachusetts	MA	L	975,553	1,089,715	505,623	710,563	27,155,685	24,522,604
23. Michigan	MI	L	780,944	2,013,863	428,328	128,374	29,952,541	32,244,310
24. Minnesota	MN	L	755,534	688,640	75,267	29,376	2,718,055	2,486,479
25. Mississippi	MS	L	2,421,609	2,521,915	475,094	294,602	29,197,414	20,063,666
26. Missouri	MO	L	4,811,052	5,421,408	1,059,146	249,017	48,801,958	45,397,820
27. Montana	MT	L	494,951	231,210	6,059	209,968	2,114,835	1,691,871
28. Nebraska	NE	L	19,854	47,524			3,983,385	4,306,868
29. Nevada	NV	L	3,508,723	3,797,909	67,932	131,523	16,029,900	14,412,216
30. New Hampshire	NH	L	921,727	1,323,133			2,132,010	1,836,718
31. New Jersey	NJ	L	1,438,523	2,305,284	481,281	414,729	30,170,963	27,902,872
32. New Mexico	NM	L	592,092	856,905	42,243	68,966	4,822,519	3,548,202
33. New York	NY	L	9,215,572	10,623,298	(11,296)	680,968	77,749,224	60,344,119
34. North Carolina	NC	L	2,250,594	2,398,014	135,081	566,374	19,807,479	18,362,302
35. North Dakota	ND	L	1,308	538			1,460	606
36. Ohio	OH	L	3,955,133	4,756,923	1,815,668	1,583,260	77,865,208	70,396,751
37. Oklahoma	OK	L	629,747	563,030	341,695	693,166	14,962,346	11,703,292
38. Oregon	OR	L	293,882	361,236	58,083	301,485	3,466,635	3,484,759
39. Pennsylvania	PA	L	6,134,415	6,130,842	1,149,868	1,296,881	71,126,029	57,292,410
40. Rhode Island	RI	L	105,812	66,151			680,968	675,537
41. South Carolina	SC	L	1,866,543	1,860,070	17,659	16,841	7,592,098	6,472,168
42. South Dakota	SD	L	88,483	480,998	28,436	3,322,019	3,322,019	2,740,165
43. Tennessee	TN	L	861,956	773,793	55,436	331,556	15,622,028	14,681,465
44. Texas	TX	L	1,567,159	2,296,380	294,797	646,520	42,387,907	39,445,029
45. Utah	UT	L	360,563	359,127		672	3,959,579	4,140,470
46. Vermont	VT	L	622,389	660,829	15,852	13,369	1,419,724	1,126,156
47. Virginia	VA	L	2,455,970	1,353,309	287,738	126,154	15,391,716	12,296,168
48. Washington	WA	L	4,555,536	4,499,394	565,598	405,378	44,200,548	37,284,097
49. West Virginia	WV	L	12,029	12,778		149,560	3,556,223	3,527,981
50. Wisconsin	WI	L	1,010,081	932,866	201,813	38,528	10,859,184	5,930,703
51. Wyoming	WY	L	591	812			1,791	1,676
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	3,710,883	3,271,631			1,482,030	1,617,483
58. Aggregate Other Alien	OT	X X X					33,619	55,208
59. Totals	(a)	51	92,681,813	102,601,795	19,071,372	15,388,641	1,117,993,804	997,339,694
<b>DETAILS OF WRITE-INS</b>								
5801. Bermuda		X X X					33,619	55,208
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					33,619	55,208

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