



**QUARTERLY STATEMENT**

AS OF SEPTEMBER 30, 2008

OF THE CONDITION AND AFFAIRS OF THE

**Safety National Casualty Corporation**

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

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

Country of Domicile US

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

Statutory Home Office 1832 Schuetz Road, St. Louis, Missouri 63146-4235  
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1832 Schuetz Road, St. Louis, Missouri 63146-4235 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 63146-4235  
(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 63146-4235  
(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 314-812-4112  
(Name) (Area Code) (Telephone Number) (Extension)  
john.csik@sncc.com 314-995-6817  
(E-Mail Address) (Fax Number)

**OFFICERS**

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

**OTHER OFFICERS**

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

**DIRECTORS OR TRUSTEES**

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

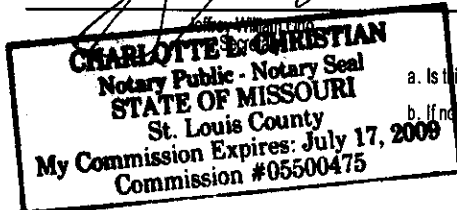
State of Missouri } SS  
 County of St. Louis

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.

Mark Andrew Wilhelm  
 Mark Andrew Wilhelm  
 President

Subscribed and sworn to before me this 27 day of Oct 2008

Charlotte L. Christian



Duane Allen Hercules  
 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	1,385,622,974		1,385,622,974	1,264,134,768
2. Stocks:				
2.1 Preferred stocks	33,253,405		33,253,405	37,305,103
2.2 Common stocks	62,883,618		62,883,618	51,449,168
3. Mortgage loans on real estate:				
3.1 First liens	8,617,484	837,931	7,779,553	30,461,641
3.2 Other than first liens	2,899,229	900,732	1,998,497	1,577,804
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)	21,182,011		21,182,011	10,834,430
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)	13,741,140	270,216	13,470,924	4,004,209
5. Cash (\$ 13,705,578 ), cash equivalents (\$ ) and short-term investments (\$ 106,711,682 )	120,417,260		120,417,260	97,702,328
6. Contract loans (including \$ premium notes)				
7. Other invested assets	67,234,593		67,234,593	178,505,018
8. Receivables for securities	8,549,536		8,549,536	14,577,750
9. Aggregate write-ins for invested assets				92,794
10. Subtotals, cash and invested assets (Line 1 to Line 9)	1,724,401,250	2,008,879	1,722,392,371	1,690,645,013
11. Title plants less \$ charged off (for Title insurers only)				
12. Investment income due and accrued	20,185,820	1,100	20,184,720	18,379,479
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	30,072,361	9,103,247	20,969,114	18,950,381
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,698,710 earned but unbilled premiums)	38,562,578		38,562,578	27,746,038
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	5,270,599		5,270,599	7,525,240
14.2 Funds held by or deposited with reinsured companies	502,263		502,263	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	3,620,974		3,620,974	
16.2 Net deferred tax asset	35,312,331	24,265,312	11,047,019	10,411,967
17. Guaranty funds receivable or on deposit	707,290		707,290	772,593
18. Electronic data processing equipment and software	1,408,005	919,666	488,339	427,836
19. Furniture and equipment, including health care delivery assets (\$ )	2,528,979	2,528,979		
20. Net adjustment in assets and liabilities due to foreign exchange rates	62		62	66
21. Receivables from parent, subsidiaries and affiliates	940,330		940,330	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)	1,865,895,867	38,827,183	1,827,068,684	1,778,544,979
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Totals (Line 24 and Line 25)	1,865,895,867	38,827,183	1,827,068,684	1,778,544,979
<b>DETAILS OF WRITE-INS</b>				
0901. Swaps				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)				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 \$ 145,376,754 )	1,145,385,033	1,041,452,991
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	29,935,129	29,894,118
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	13,912,820	15,190,401
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	5,148,499	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 \$ 6,330,764 and including warranty reserves of \$ )	138,300,206	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)	4,467,141	5,872,130
13. Funds held by company under reinsurance treaties	2,003,818	2,662,850
14. Amounts withheld or retained by company for account of others	12,984,165	19,204,159
15. Remittances and items not allocated	1,856,090	5,621,140
16. Provision for reinsurance	5,083,000	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	16,269,483	1,885,851
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ and interest thereon \$		
23. Aggregate write-ins for liabilities		71,357,277
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	1,375,345,384	1,315,593,485
25. Protected cell liabilities		
26. Total liabilities (Line 24 and Line 25)	1,375,345,384	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)	369,873,239	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)	451,723,300	462,951,494
36. Totals	1,827,068,684	1,778,544,979
<b>DETAILS OF WRITE-INS</b>		
2301. Forward Contracts		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)		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 \$ 239,644,525 )	211,658,179	224,096,770	297,106,714
1.2 Assumed (written \$ 31,658,958 )	25,286,682	27,426,174	35,751,975
1.3 Ceded (written \$ 16,854,610 )	18,461,145	21,791,667	28,689,423
1.4 Net (written \$ 254,448,873 )	218,483,716	229,731,277	304,169,266
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 145,511,546 ):			
2.1 Direct	149,101,503	175,342,930	222,176,351
2.2 Assumed	12,360,603	13,515,817	17,459,048
2.3 Ceded	6,994,689	22,800,231	22,181,968
2.4 Net	154,467,417	166,058,516	217,453,431
3. Loss adjustment expenses incurred	3,317,606	5,548,799	9,681,840
4. Other underwriting expenses incurred	64,091,836	63,457,584	78,784,430
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Line 2 through Line 5)	221,876,859	235,064,899	305,919,701
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(3,393,143)	(5,333,622)	(1,750,435)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	63,129,405	61,629,056	80,902,230
10. Net realized capital gains (losses) less capital gains tax of \$ (1,382,837)	(11,555,428)	(1,158,038)	(2,051,446)
11. Net investment gain (loss) (Line 9 plus Line 10)	51,573,977	60,471,018	78,850,784
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 525 amount charged off \$ (5,853))	(5,328)	(180,114)	(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)	(5,328)	(180,114)	(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)	48,175,506	54,957,282	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)	48,175,506	54,957,282	76,913,959
19. Federal and foreign income taxes incurred	7,357,406	8,867,972	22,985,845
20. Net income (Line 18 minus Line 19) (to Line 22)	40,818,100	46,089,310	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)	40,818,100	46,089,310	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 \$ (10,855,275)	(33,538,611)	(2,251,885)	(4,341,132)
25. Change in net unrealized foreign exchange capital gain (loss)	(943,809)	1,704,610	2,146,122
26. Change in net deferred income tax	7,747,269	591,748	8,920,586
27. Change in nonadmitted assets	(24,288,343)	(7,821,903)	(10,278,648)
28. Change in provision for reinsurance	977,200	(1,781,000)	(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	(2,000,000)	(2,000,000)	(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)	(11,228,194)	34,530,880	46,925,242
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	451,723,300	450,557,132	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	235,716,891	298,104,270
2. Net investment income	61,921,810	78,134,936
3. Miscellaneous income	118,775	842,582
4. Total (Line 1 through Line 3)	297,757,476	377,081,788
5. Benefit and loss related payments	48,686,195	88,658,188
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	67,843,977	83,893,192
7. Commissions, expenses paid and aggregate write-ins for deductions	18,246,768	14,619,532
8. Dividends paid to policyholders	18,246,768	14,619,532
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	18,246,768	14,619,532
10. Total (Line 5 through Line 9)	134,776,940	187,170,912
11. Net cash from operations (Line 4 minus Line 10)	162,980,536	189,910,876
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	177,989,005	200,480,884
12.2 Stocks	5,837,127	9,561,365
12.3 Mortgage loans	22,278,123	9,199,593
12.4 Real estate	123,679,731	1,850,000
12.5 Other invested assets	123,679,731	16,126,806
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(1,325,931)	46,665,453
12.7 Miscellaneous proceeds	(1,325,931)	46,665,453
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	328,458,055	283,884,101
13. Cost of investments acquired (long-term only):		
13.1 Bonds	322,277,148	341,642,746
13.2 Stocks	29,526,661	28,563,959
13.3 Mortgage loans	1,335,349	22,137,904
13.4 Real estate	19,759,538	8,171,381
13.5 Other invested assets	22,159,897	108,169,149
13.6 Miscellaneous applications	58,084,402	58,084,402
13.7 Total investments acquired (Line 13.1 through Line 13.6)	453,142,995	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)	(124,684,940)	(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	2,000,000	2,000,000
16.6 Other cash provided (applied)	(13,580,664)	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)	(15,580,664)	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)	22,714,932	(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)	120,417,260	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 September 30, 2008

## Assets

Line 13.1	Uncollected premiums and agents' balances in the course of collection	\$140,000
Line 13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due	0
Line 26	Total Assets	\$140,000

## Liabilities, Surplus and Other Funds

Line 1	Losses	\$3,978,000
Line 26	Total liabilities	\$3,978,000

## Statement of Income as of September 30, 2008

Line 1	Premiums earned	\$ 9,000
Line 2	Losses incurred	50,000
Line 4	Other underwriting expenses incurred	14,000
Line 6	Total underwriting deductions	64,000
Line 8	Net underwriting loss	(55,000)
Line 9	Net investment gain	55,000
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) At September 30, 2008, the Company held mortgages with interest more than 180 days past due with a recorded investment of \$2,675,260, excluding accrued interest in the amount of \$618,510.

## F. Real Estate

- (2) The Company classified two properties as held for sale during 1st quarter 2008. Both properties are 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 September 30 were as follows:

Total of gross deferred tax assets	\$ 35,685,363
Total of deferred tax liabilities	<u>373,032</u>
Net deferred tax asset	35,312,331
Deferred tax asset nonadmitted	<u>\$ 24,265,312</u>
Net admitted deferred tax asset	<u>\$ 11,047,019</u>
Increase in nonadmitted asset	\$(17,967,492)

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

Current year expense	\$5,637,666
Realized capital gains tax	(1,382,837)
Prior year tax reserve under accrual	<u>1,719,739</u>
Current income tax expense	<u>\$5,974,568</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:

	September 30, 2008
DTA's	
Net unrealized capital losses	\$12,059,228
Unearned premiums	7,094,212
Reserves	4,750,444
Bonds	3,765,756
Agents' balances	3,186,136
Partnerships/LLC's	1,252,810
Renewal Rights	1,041,833
Other	1,025,580
Non-admitted assets	817,234
Real Estate	<u>692,130</u>
Total DTAs	35,685,363
Nonadmitted DTAs	<u>24,265,312</u>
Admitted DTAs	<u>11,420,051</u>
DTL's	
Preferred stock	373,032
Total DTL	<u>373,032</u>
Net admitted DTA	<u>\$11,047,019</u>

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

	Sept 30, 2008	Dec 31, 2007	Change
Total DTAs	\$35,685,363	\$19,058,878	\$16,626,485
Total DTLs	<u>373,032</u>	<u>2,349,091</u>	<u>(1,976,059)</u>
Net DTA	35,312,331	16,709,787	18,602,544

Tax effect of unrealized gains (10,855,275)

Change in net deferred income tax 7,747,269

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	\$16,377,435	35.0%
Tax-exempt interest	(10,653,966)	(22.8)
Change in non-admitted assets	(2,212,297)	(4.7)
Other	<u>(5,283,873)</u>	<u>(11.3)</u>
Total	\$(1,772,701)	(3.8)%

**NOTES TO FINANCIAL STATEMENTS**

Federal income taxes incurred	\$7,357,405	15.7%
Realized capital gains tax	(1,382,837)	(3.0%)
Change in net deferred income taxes	<u>(7,747,269)</u>	<u>(16.5%)</u>
Total statutory income taxes	\$ (1,772,701)	(3.8)%

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 \$ 3,230,815
- b. 2007 \$22,729,047

## 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  
July 2008 \$1,000,000

The Company acquired an interest in three affiliated entities during 2003. At September 30, 2008 and December 31, 2007 the total investment amounts to \$43,475,490 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 September 30, 2008, the Company reported \$940,330 as amounts due from Subsidiary Company, Safety First Insurance Company. 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 \$33,262,363.

## 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 September 30, 2008 and December 31, 2007 the Company had admitted assets of \$59,531,692 and \$46,696,419, respectively, in accounts receivable for amounts due from agents. The Company routinely assesses

## NOTES TO FINANCIAL STATEMENTS

the collectibility of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectible and the potential for loss is not material to the Company's financial condition.

I. As of September 30, 2008, the Company owned subprime Residential Mortgage Backed Securities with a cost, book adjusted carrying value and fair value of \$9,551,470, \$9,772,867 and \$6,788,318, respectively.

21. Events Subsequent

N/A.

22. Reinsurance

C. Reinsurance Assumed and Ceded

	(1) Assumed		Ceded		Net	
	Reinsurance		Reinsurance		Reinsurance	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Related	\$1,006,706	\$ 0	\$ 0	\$ 0	\$ 1,006,706	\$ 0
Other	15,691,282	1,167,250	6,330,764	721,375	9,360,518	445,875
Total	\$16,697,988	\$1,167,250	\$6,330,764	\$721,375	\$10,367,224	\$445,875

Direct Unearned Premium Reserve \$127,932,982.

E. The Company commuted two reinsurance treaties, one with First Allmerica Financial Life Insurance Company and one with Transatlantic Reinsurance Company. The Company recorded no material income statement impact from the transaction as the consideration received approximated the reserves assumed.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

24. Change in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years have increased by \$5,200,000 primarily as a result of accretion of discount with an offsetting decrease due to favorable claims development.

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

30. High Deductibles

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

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

The September 30, 2008 and December 31, 2007 liabilities include \$728,804,904 and \$680,097,124 of discounted reserves, respectively. The amount of tabular discount for case and IBNR reserves at September 30, 2008 is as follows:

	Case	IBNR
Excess Workers' Compensation	\$99,085,956	\$205,174,995
Workers' Compensation	\$ 2,202,961	\$ 10,862,514

**NOTES TO FINANCIAL STATEMENTS**

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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	1,926,925	1,783,669	915,097	3,861,877	18,273,094	19,040,032
2. Alaska	AK	L	457	203,388	117,368		1,949,270	2,431,488
3. Arizona	AZ	L	2,431,727	2,207,637	(162,314)	101,886	11,738,785	10,654,472
4. Arkansas	AR	L	2,360,612	2,258,038	174,437	98,138	7,063,877	6,701,588
5. California	CA	L	27,048,736	28,686,506	4,481,129	2,699,799	75,335,336	68,982,247
6. Colorado	CO	L	2,505,247	2,175,736	905,912	505,778	9,653,205	10,064,995
7. Connecticut	CT	L	5,324,349	5,871,343	540,032	727,312	28,426,475	18,995,118
8. Delaware	DE	L	656,536	636,044	295,725	370,163	2,584,291	3,058,846
9. District of Columbia	DC	L	617,110	604,315		17,605	1,400,793	1,347,614
10. Florida	FL	L	4,347,135	2,896,868	6,786,924	5,099,336	68,728,162	66,750,998
11. Georgia	GA	L	7,817,725	8,905,022	2,894,730	714,350	37,101,375	33,067,464
12. Hawaii	HI	L	583,960	778,879	(139)	(646)	1,131,923	969,362
13. Idaho	ID	L	621,680	657,413			976,664	820,404
14. Illinois	IL	L	17,000,055	15,977,208	8,455,005	8,692,432	145,472,393	131,881,944
15. Indiana	IN	L	4,116,750	3,906,587	147,609	305,385	12,853,312	14,388,491
16. Iowa	IA	L	2,697,749	2,506,847	422,370	447,441	8,156,919	6,258,022
17. Kansas	KS	L	4,428,454	4,533,715	1,114,422	352,956	13,232,670	11,466,813
18. Kentucky	KY	L	1,957,412	2,070,328	1,078,801	1,399,135	18,296,928	17,362,396
19. Louisiana	LA	L	8,751,355	8,805,785	2,415,529	2,501,710	44,635,312	40,764,322
20. Maine	ME	L	2,168,777	2,241,157	1,000,275	529,435	16,271,433	16,270,416
21. Maryland	MD	L	4,606,290	4,594,374	1,544,070	1,005,932	17,447,801	13,617,151
22. Massachusetts	MA	L	3,574,751	3,939,944	1,275,289	1,709,010	27,543,232	26,734,052
23. Michigan	MI	L	4,574,924	6,644,085	1,417,513	1,252,699	29,993,431	31,636,976
24. Minnesota	MN	L	1,125,073	1,070,439	97,043	16,364	2,814,191	2,704,340
25. Mississippi	MS	L	4,258,693	4,450,737	1,672,373	761,620	25,524,288	29,366,435
26. Missouri	MO	L	9,403,763	10,750,842	1,731,547	3,097,844	50,625,494	44,997,667
27. Montana	MT	L	1,329,342	941,370	62,507	225,735	2,881,461	2,228,268
28. Nebraska	NE	L	650,862	849,187	24,480	124,585	4,058,255	4,468,788
29. Nevada	NV	L	5,659,805	6,220,896	555,228	452,685	17,982,990	14,628,653
30. New Hampshire	NH	L	1,145,111	1,502,820	46,890		1,996,847	1,911,555
31. New Jersey	NJ	L	4,416,386	5,917,757	1,426,935	1,043,102	30,636,354	29,018,997
32. New Mexico	NM	L	2,936,112	3,020,367	168,559	114,342	6,168,161	5,005,501
33. New York	NY	L	21,670,809	23,603,797	822,680	1,626,166	98,000,591	67,168,917
34. North Carolina	NC	L	5,829,706	4,873,999	1,100,039	1,467,640	21,559,358	18,364,185
35. North Dakota	ND	L	3,677	3,148			1,879	1,068
36. Ohio	OH	L	9,594,581	10,564,803	4,095,604	4,374,669	80,832,744	71,234,189
37. Oklahoma	OK	L	2,412,306	2,740,935	1,088,185	1,152,943	15,567,792	13,367,228
38. Oregon	OR	L	1,847,793	1,583,802	74,442	(76,719)	4,442,058	3,933,965
39. Pennsylvania	PA	L	14,140,028	13,921,971	3,563,613	13,590,414	63,580,518	54,619,134
40. Rhode Island	RI	L	533,428	541,425			855,873	733,225
41. South Carolina	SC	L	2,880,947	2,676,271	149,871	116,540	7,785,249	7,932,835
42. South Dakota	SD	L	792,605	1,111,649	292,271	25,232	3,940,470	3,057,238
43. Tennessee	TN	L	5,449,845	5,583,208	387,287	587,768	16,883,174	16,177,948
44. Texas	TX	L	9,345,720	9,139,893	963,997	1,347,897	41,260,342	44,226,909
45. Utah	UT	L	940,989	766,940	20,554	1,285	4,493,054	4,501,468
46. Vermont	VT	L	703,479	671,977	36,004	17,712	1,388,662	1,148,143
47. Virginia	VA	L	8,925,439	7,761,080	643,882	661,527	17,252,704	14,951,702
48. Washington	WA	L	8,032,790	7,966,513	1,451,898	1,789,699	43,433,877	38,255,169
49. West Virginia	WV	L	212,130	211,263	28,175	149,560	3,436,957	3,699,605
50. Wisconsin	WI	L	1,422,218	1,769,705	621,147	68,827	9,970,640	6,222,425
51. Wyoming	WY	L	1,899	1,858			2,016	1,617
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	3,860,273	3,555,744			4,017,605	1,910,762
58. Aggregate Other Alien	OT	X X X					29,806	36,741
59. Totals	(a)	51	239,644,525	246,659,284	56,944,995	65,129,170	1,179,690,091	1,059,139,888
<b>DETAILS OF WRITE-INS</b>								
5801. Bermuda		X X X					29,806	36,741
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					29,806	36,741

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