



ANNUAL STATEMENT

For the Year Ended December 31, 2002
of the Condition and Affairs of the

THE HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO

NAIC Group Code..... 0062, 0062 (Current Period) (Prior Period) NAIC Company Code..... 14125 Employer's ID Number..... 31-0308480

Organized under the Laws of OHIO State of Domicile or Port of Entry OHIO
Country of Domicile US
Incorporated..... March 15, 1858 Commenced Business..... May 10, 1858

Statutory Home Office 1520 MADISON ROAD CINCINNATI OH 45206-1787
(Street and Number) (City or Town, State and Zip Code)
Main Administrative Office 717 MULBERRY STREET DES MOINES IA 50309-3872 515-280-2511
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)
Mail Address PO BOX 712 DES MOINES IA 50303-0712
(Street and Number or P. O. Box) (City or Town, State and Zip Code)
Primary Location of Books and Records 717 MULBERRY STREET DES MOINES IA 50309-3872 515-280-2511
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)
Internet Website Address WWW.EMCINSURANCE.COM
Statement Contact CARLA A. PRATHER 515-280-2789
(Name) (Area Code) (Telephone Number) (Extension)
Carla.A.Prather@EMCIns.com 515-237-2152
(E-Mail Address) (Fax Number)
Policyowner Relations Contact 717 MULBERRY STREET DES MOINES IA 50309-3872 515-362-7589
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

President Jeffrey Edwin Felts Treasurer Jeffrey Edwin Felts Secretary Robert Lynn Link

VICE PRESIDENTS

Ronald Warner Jean (Executive V.P.) William Allan Murray (Executive V.P.) Raymond Wesley Davis (Senior V.P.) Philip Andrew Goedde
David L. Hixenbaugh Steven Charles Peck Mark Edward Reese William Gormley Rhoads

DIRECTORS OR TRUSTEES

Philip Theodore Van Ekeren (Chairman) # Bruce Gunn Kelley (Vice Chairman) Margaret Ann Ball # Shirley Jane Cook
Jeffrey Edwin Felts George William Kochheiser Michael Brent Rouse Fredrick Arnold Schiek

State of..... Iowa
County of..... Polk

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.

_____ (Exec VP)	_____ (Controller)
(Signature)	(Signature)
William A. Murray	Carla A. Prather
(Printed Name)	(Printed Name)
President	Treasurer
_____ (Signature)	_____ (Signature)
Robert L. Link	_____ (Signature)
(Printed Name)	_____ (Printed Name)
Secretary	_____ (Printed Name)

Subscribed and sworn to before me this
.....day ofFebruary....., 2003
.....

- 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 Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds.....	68,510,631		68,510,631	72,358,075
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1).....			0	
2.2 Common stocks (Schedule D, Part 2, Section 2).....	8,586,789		8,586,789	8,659,538
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	1,956,652		1,956,652	2,109,843
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	625,000
5. Cash (\$.....0 Schedule E, Part 1) and short-term investments (\$.....11,257,106 Schedule DA, Part 2).....	11,257,106		11,257,106	1,835,441
6. Other invested assets (Schedule BA).....	232,159		232,159	199,962
7. Receivable for securities.....			0	27,185
8. Aggregate write-ins for invested assets.....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8).....	90,543,337	0	90,543,337	85,815,044
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection.....	3,158,902		3,158,902	8,304,178
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$.....299,021 earned but unbilled premiums).....	332,246	33,225	299,021	443,704
10.3 Accrued retrospective premiums.....	166,026	16,603	149,423	155,912
11. Funds held by or deposited with reinsured companies.....			0	
12. Bills receivable, taken for premiums.....			0	
13. Amounts receivable under high deductible policies.....			0	
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8).....			0	
15. Federal and foreign income tax recoverable and interest thereon (including \$.....2,094,241 net deferred tax asset).....	4,910,486	2,816,245	2,094,241	
16. Guaranty funds receivable or on deposit.....	223,952		223,952	178,096
17. Electronic data processing equipment and software.....	214		214	765
18. Interest, dividends and real estate income due and accrued.....	1,359,751		1,359,751	1,369,162
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Receivable from parent, subsidiaries and affiliates.....			0	
21. Amount due from/to protected cells.....			0	
22. Equities and deposits in pools and associations.....			0	
23. Amounts receivable relating to uninsured accident and health plans.....			0	
24. Other assets nonadmitted (Exhibit 1).....	2,690	2,690	0	
25. Aggregate write-ins for other than invested assets.....	115,843	115,843	0	0
26. Total assets excluding protected cell assets (Lines 9 through 25).....	100,813,447	2,984,606	97,828,841	96,266,861
27. Protected cell assets.....			0	
28. TOTALS (Lines 26 and 27).....	100,813,447	2,984,606	97,828,841	96,266,861

DETAILS OF WRITE-INS

0801.			0	
0802.			0	
0803.			0	
0898. Summary of remaining write-ins for Line 8 from overflow page.....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above).....	0	0	0	0
2501. Other prepaid expenses.....	50,209	50,209	0	
2502. Defined benefit plan intangible asset.....	36,075	36,075	0	
2503. Defined contribution plan prepaid expenses.....	29,559	29,559	0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	115,843	115,843	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE THE HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO
LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8).....	37,608,495	36,868,440
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6).....	2,463,838	7,488,399
3. Loss adjustment expenses (Part 2A, Line 34, Column 9).....	9,228,330	8,577,507
4. Commissions payable, contingent commissions and other similar charges.....	900,441	672,393
5. Other expenses (excluding taxes, licenses and fees).....	1,249,939	964,810
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	763,751	931,906
7. Federal and foreign income taxes (including \$.....40,748 on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....	71,557	
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....14,799,750 and including warranty reserves of \$.....0).....	20,485,217	17,926,993
10. Advance premiums.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (Schedule F, Part 7).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	705,936	2,189,760
20. Payable for securities.....		
21. Liability for amounts held under uninsured accident and health plans.....		
22. Capital notes \$.....0 and interest thereon \$.....0.....		
23. Aggregate write-ins for liabilities.....	383,190	255,898
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	73,860,694	75,876,106
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	73,860,694	75,876,106
27. Aggregate write-ins for special surplus funds.....	0	0
28. Common capital stock.....		
29. Preferred capital stock.....		
30. Aggregate write-ins for other than special surplus funds.....	0	0
31. Surplus notes.....	16,500,000	16,500,000
32. Gross paid in and contributed surplus.....		
33. Unassigned funds (surplus).....	7,468,147	3,890,755
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....		
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38).....	23,968,147	20,390,755
36. TOTALS (Page 2, Line 28, Col. 3).....	97,828,841	96,266,861

DETAILS OF WRITE-INS

2301. Defined benefit plan minimum liability.....	150,445	
2302. Accrued return retrospective premium.....	127,842	168,815
2303. Abandoned property - checks and claim drafts.....	40,955	47,699
2398. Summary of remaining write-ins for Line 23 from overflow page.....	63,948	39,384
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	383,190	255,898
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

	1 Current Year	2 Prior Year
STATEMENT OF INCOME		
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4).....	47,875,131	43,274,530
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7).....	26,627,779	29,950,581
3. Loss expenses incurred (Part 3, Line 25, Column 1).....	6,374,709	5,984,965
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	15,221,884	13,093,144
5. Aggregate write-ins for underwriting deductions.....	24,034	0
6. Total underwriting deductions (Lines 2 through 5).....	48,248,406	49,028,690
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(373,275)	(5,754,160)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	5,321,597	5,035,660
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses)).....	(434,693)	(86,303)
11. Net investment gain (loss) (Lines 9 + 10).....	4,886,904	4,949,357
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....66,976).....	(66,976)	(62,205)
13. Finance and service charges not included in premiums.....	37,757	27,982
14. Aggregate write-ins for miscellaneous income.....	0	(940)
15. Total other income (Lines 12 through 14).....	(29,219)	(35,163)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15).....	4,484,410	(839,966)
17. Dividends to policyholders.....	513,720	442,483
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17).....	3,970,690	(1,282,449)
19. Federal and foreign income taxes incurred.....	836,657	13,452
20. Net income (Line 18 minus Line 19) (to Line 22).....	3,134,033	(1,295,901)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2).....	20,390,755	20,799,813
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20).....	3,134,033	(1,295,901)
23. Net unrealized capital gains or (losses).....	(1,062,724)	717,050
24. Change in net unrealized foreign exchange capital gains (loss).....		
25. Change in net deferred income tax.....	(631,078)	727,997
26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3).....	2,251,531	(498,873)
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....		
28. Change in surplus notes.....		
29. Surplus (contributed to) withdrawn from protected cells.....		
30. Cumulative effect of changes in accounting principles.....		(59,331)
31. Capital changes:		
31.1 Paid in.....		
31.2 Transferred from surplus (Stock Dividend).....		
31.3 Transferred to surplus.....		
32. Surplus adjustments:		
32.1 Paid in.....		
32.2 Transferred to capital (Stock Dividend).....		
32.3. Transferred from capital.....		
33. Net remittances from or (to) Home Office.....		
34. Dividends to stockholders.....		
35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1).....		
36. Aggregate write-ins for gains and losses in surplus.....	(114,370)	0
37. Change in surplus as regards policyholders for the year (Lines 22 through 36).....	3,577,392	(409,058)
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35).....	23,968,147	20,390,755

DETAILS OF WRITE-INS

0501. 2002 North Carolina private passenger auto escrow.....	24,034	
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	24,034	0
1401. Miscellaneous expense.....		(940)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	(940)
3601. Defined benefit plan minimum liability, net of intangible asset.....	(114,370)	
3602.		
3603.		
3698. Summary of remaining write-ins for Line 36 from overflow page.....	0	0
3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above).....	(114,370)	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	55,750,233	46,752,258
2. Loss and loss adjustment expenses paid (net of salvage and subrogation).....	36,636,171	32,395,861
3. Underwriting expenses paid.....	14,853,199	12,798,210
4. Other underwriting income (expenses).....		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....	4,260,863	1,558,187
6. Net investment income.....	5,298,144	4,797,305
7. Other income (expenses):		
7.1 Agents' balances charged off.....	(66,976)	(62,205)
7.2 Net funds held under reinsurance treaties.....		
7.3 Net amount withheld or retained for account of others.....		
7.4 Aggregate write-ins for miscellaneous items.....	37,757	11,334
7.5 Total other income (Lines 7.1 to 7.4).....	(29,219)	(50,871)
8. Dividends to policyholders on direct business, less \$.....(513,720) dividends on reinsurance assumed or ceded (net).....	513,720	442,483
9. Federal and foreign income taxes (paid) recovered.....	(765,100)	61,548
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9).....	8,250,968	5,923,686
CASH FROM INVESTMENTS		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds.....	15,382,124	15,376,539
11.2 Stocks.....	45,774	
11.3 Mortgage loans.....		
11.4 Real estate.....	622,974	
11.5 Other invested assets.....		
11.6 Net gains or (losses) on cash and short-term investments.....		
11.7 Miscellaneous proceeds.....	27,185	
11.8 Total investment proceeds (Lines 11.1 to 11.7).....	16,078,057	15,376,539
12. Cost of investments acquired (long-term only):		
12.1 Bonds.....	13,413,085	24,035,755
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....	38,818	
12.5 Other invested assets.....		
12.6 Miscellaneous applications.....		27,185
12.7 Total investments acquired (Lines 12.1 to 12.6).....	13,451,903	24,062,940
13. Net cash from investments (Line 11.8 minus Line 12.7).....	2,626,154	(8,686,401)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in.....		
14.2 Capital notes \$.....0 less amounts repaid \$.....0.....		
14.3 Net transfers from affiliates.....		
14.4 Borrowed funds received.....		
14.5 Other cash provided.....	35,111	7,094
14.6 Total (Lines 14.1 to 14.5).....	35,111	7,094
15. Cash applied:		
15.1 Dividends to stockholders paid.....		
15.2 Net transfers to affiliates.....	1,483,824	104,073
15.3 Borrowed funds repaid.....		
15.4 Other applications.....	6,744	14,997
15.5 Total (Lines 15.1 to 15.4).....	1,490,568	119,070
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5).....	(1,455,457)	(111,976)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17. Net change in cash and short-term investments (Line 10 plus Line 13 plus Line 16).....	9,421,665	(2,874,691)
18. Cash and short-term investments:		
18.1 Beginning of year.....	1,835,441	4,710,132
18.2 End of year (Line 17 plus Line 18.1).....	11,257,106	1,835,441
DETAILS OF WRITE-INS		
7.401 Premium finance and service charges received.....	37,757	27,982
7.402 Miscellaneous expense.....		(940)
7.403 Abandoned property - checks and claim drafts.....		(15,708)
7.498 Summary of remaining write-ins for Line 7.4 from overflow page.....	0	0
7.499 Total (Lines 7.401 thru 7.403 plus 7.498) (Line 7.4 above).....	37,757	11,334

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year- per Col. 3 Last Year's Part 2	Unearned Premiums December 31 Current Year- per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....	2,289,275	878,303	1,045,580	2,121,998
2. Allied lines.....	2,809,364	1,048,242	1,291,864	2,565,742
3. Farmowners multiple peril.....				0
4. Homeowners multiple peril.....	3,628,075	1,763,986	1,884,731	3,507,330
5. Commercial multiple peril.....	1,803,722	766,379	853,309	1,716,792
6. Mortgage guaranty.....				0
8. Ocean marine.....				0
9. Inland marine.....	2,005,480	774,436	859,325	1,920,591
10. Financial guaranty.....				0
11.1 Medical malpractice - occurrence.....				0
11.2 Medical malpractice - claims-made.....				0
12. Earthquake.....	65,293	32,921	30,062	68,152
13. Group accident and health.....				0
14. Credit accident and health (group and individual).....				0
15. Other accident and health.....	1,866	885	683	2,068
16. Workers' compensation.....	9,706,656	2,874,161	3,376,903	9,203,914
17.1 Other liability - occurrence.....	8,095,103	2,659,534	3,267,461	7,487,176
17.2 Other liability - claims-made.....	616,855	219,509	254,665	581,699
18.1 Products liability - occurrence.....	793,366	302,028	355,947	739,447
18.2 Products liability - claims-made.....				0
19.1, 19.2 Private passenger auto liability.....	3,568,768	795,866	843,542	3,521,092
19.3, 19.4 Commercial auto liability.....	7,791,227	2,952,428	3,415,256	7,328,399
21. Auto physical damage.....	6,469,895	1,880,907	2,114,201	6,236,601
22. Aircraft (all perils).....				0
23. Fidelity.....	130,172	62,971	67,434	125,709
24. Surety.....	744,375	400,650	436,711	708,314
26. Burglary and theft.....	40,848	16,362	17,113	40,097
27. Boiler and machinery.....				0
28. Credit.....				0
29. International.....				0
30. Reinsurance - nonproportional assumed property.....				0
31. Reinsurance - nonproportional assumed liability.....	10			10
32. Reinsurance - nonproportional assumed financial lines.....				0
33. Aggregate write-ins for other lines of business.....	0	0	0	0
34. TOTALS.....	50,560,350	17,429,568	20,114,787	47,875,131

DETAILS OF WRITE-INS

3301.				0
3302.				0
3303.				0
3398. Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience, viz:

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running more than One Year from Date of Policy) (b)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire.....	1,045,580				1,045,580
2.	Allied lines.....	1,291,864				1,291,864
3.	Farmowners multiple peril.....					0
4.	Homeowners multiple peril.....	1,884,731				1,884,731
5.	Commercial multiple peril.....	853,309				853,309
6.	Mortgage guaranty.....					0
8.	Ocean marine.....					0
9.	Inland marine.....	859,304	21			859,325
10.	Financial guaranty.....					0
11.1	Medical malpractice - occurrence.....					0
11.2	Medical malpractice - claims-made.....					0
12.	Earthquake.....	30,062				30,062
13.	Group accident and health.....					0
14.	Credit accident and health (group and individual).....					0
15.	Other accident and health.....	683				683
16.	Workers' compensation.....	3,678,343		(299,006)	(2,434)	3,376,903
17.1	Other liability - occurrence.....	3,361,659		(81,193)	(13,005)	3,267,461
17.2	Other liability - claims-made.....	254,661		4		254,665
18.1	Products liability - occurrence.....	347,274	13	8,660		355,947
18.2	Products liability - claims-made.....					0
19.1, 19.2	Private passenger auto liability.....	843,457		85		843,542
19.3, 19.4	Commercial auto liability.....	3,380,853		57,148	(22,745)	3,415,256
21.	Auto physical damage.....	2,132,145		(17,944)		2,114,201
22.	Aircraft (all perils).....					0
23.	Fidelity.....	58,973	8,461			67,434
24.	Surety.....	352,945	83,766			436,711
26.	Burglary and theft.....	17,094	19			17,113
27.	Boiler and machinery.....					0
28.	Credit.....					0
29.	International.....					0
30.	Reinsurance - nonproportional assumed property.....					0
31.	Reinsurance - nonproportional assumed liability.....					0
32.	Reinsurance - nonproportional assumed financial lines.....					0
33.	Aggregate write-ins for other lines of business.....	0	0	0	0	0
34.	TOTALS.....	20,392,937	92,280	(332,246)	(38,184)	20,114,787
35.	Accrued retrospective premiums based on experience.....					38,184
36.	Earned but unbilled premiums.....					332,246
37.	Balance (sum of Lines 34 through 36).....					20,485,217

DETAILS OF WRITE-INS

3301.	.....					0
3302.	.....					0
3303.	.....					0
3398.	Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0	0
3399.	TOTALS (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0	0

- (a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force. Are they so returned in this statement? Yes [X] No [].
 (b) State here basis of computation used in each case: Daily Pro Rata

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE THE HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO
UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees Written and Renewed During Year

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	2,445,939	2,289,275		2,445,939		2,289,275
2. Allied lines.....	1,211,346	2,809,364		1,211,346		2,809,364
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....	7,513,169	3,628,075		7,513,169		3,628,075
5. Commercial multiple peril.....	3,191,198	1,803,722		3,191,198		1,803,722
6. Mortgage guaranty.....						0
8. Ocean marine.....						0
9. Inland marine.....	1,105,769	2,005,480		1,105,769		2,005,480
10. Financial guaranty.....						0
11.1 Medical malpractice - occurrence.....						0
11.2 Medical malpractice - claims-made.....						0
12. Earthquake.....	252,141	65,293		252,141		65,293
13. Group accident and health.....						0
14. Credit accident and health (group and individual).....						0
15. Other accident and health.....		1,866				1,866
16. Workers' compensation.....		9,706,656				9,706,656
17.1 Other liability - occurrence.....	4,018,144	8,095,103		4,018,144		8,095,103
17.2 Other liability - claims-made.....	28,178	616,855		28,178		616,855
18.1 Products liability - occurrence.....	321,945	793,366		321,945		793,366
18.2 Products liability - claims-made.....						0
19.1, 19.2 Private passenger auto liability.....	7,307,328	3,568,768		7,307,328		3,568,768
19.3, 19.4 Commercial auto liability.....	2,463,514	7,791,227		2,463,514		7,791,227
21. Auto physical damage.....	6,888,884	6,469,895		6,888,884		6,469,895
22. Aircraft (all perils).....						0
23. Fidelity.....	75,117	130,172		75,117		130,172
24. Surety.....	248,930	744,375		248,930		744,375
26. Burglary and theft.....	22,603	40,848		22,603		40,848
27. Boiler and machinery.....	126,539			126,539		0
28. Credit.....						0
29. International.....						0
30. Reinsurance - nonproportional assumed property.....	XXX					0
31. Reinsurance - nonproportional assumed liability.....	XXX		10			10
32. Reinsurance - nonproportional assumed financial lines.....	XXX					0
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
34. TOTALS.....	37,220,744	50,560,340	10	37,220,744	0	50,560,350

DETAILS OF WRITE-INS

3301.						0
3302.						0
3303.						0
3398. Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0	0	0
3399. TOTALS (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]

If yes: 1. The amount of such installment premiums \$.....0.

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....	1,195,236	996,292	1,195,236	996,292	346,258	236,034	1,106,516	52.1
2. Allied lines.....	1,241,132	1,216,894	1,241,132	1,216,894	667,494	636,705	1,247,683	48.6
3. Farmowners multiple peril.....				0			0	
4. Homeowners multiple peril.....	7,099,839	2,645,109	7,099,839	2,645,109	1,188,462	1,266,069	2,567,502	73.2
5. Commercial multiple peril.....	2,899,588	958,986	2,899,588	958,986	680,601	676,927	962,660	56.1
6. Mortgage guaranty.....				0			0	
8. Ocean marine.....				0			0	
9. Inland marine.....	483,569	630,469	483,569	630,469	159,735	262,081	528,123	27.5
10. Financial guaranty.....				0			0	
11.1 Medical malpractice - occurrence.....				0			0	
11.2 Medical malpractice - claims-made.....				0			0	
12. Earthquake.....				0			0	
13. Group accident and health.....				0			0	
14. Credit accident and health (group and individual).....				0			0	
15. Other accident and health.....		8		8	21	24	5	0.2
16. Workers' compensation.....		5,829,179		5,829,179	11,480,729	10,733,915	6,575,993	71.4
17.1 Other liability - occurrence.....	970,886	2,984,492	970,886	2,984,492	10,571,211	9,853,206	3,702,497	49.5
17.2 Other liability - claims-made.....		248,804		248,804	535,831	442,050	342,585	58.9
18.1 Products liability - occurrence.....	5,205	59,193	5,205	59,193	687,585	543,348	203,430	27.5
18.2 Products liability - claims-made.....				0			0	
19.1, 19.2 Private passenger auto liability.....	5,524,087	2,624,657	5,524,087	2,624,657	3,231,731	3,412,530	2,443,858	69.4
19.3, 19.4 Commercial auto liability.....	630,267	4,159,655	630,267	4,159,655	6,961,466	7,455,787	3,665,334	50.0
21. Auto physical damage.....	3,759,154	3,123,807	3,759,154	3,123,807	497,585	665,806	2,955,586	47.4
22. Aircraft (all perils).....				0			0	
23. Fidelity.....	25,000	76,297	25,000	76,297	30,982	44,212	63,067	50.2
24. Surety.....	73,150	117,129	73,150	117,129	221,558	109,879	228,808	32.3
26. Burglary and theft.....	7,009	7,768	7,009	7,768	2,903	4,213	6,458	16.1
27. Boiler and machinery.....	2,561		2,561	0	18		18	
28. Credit.....				0			0	
29. International.....				0			0	
30. Reinsurance - nonproportional assumed property.....	.XXX			0			0	
31. Reinsurance - nonproportional assumed liability.....	.XXX	208,985		208,985	344,325	525,654	27,656	276,560.0
32. Reinsurance - nonproportional assumed financial lines.....	.XXX			0			0	
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	
34. TOTALS.....	23,916,683	25,887,724	23,916,683	25,887,724	37,608,495	36,868,440	26,627,779	55.6

DETAILS OF WRITE-INS

3301.				0			0	
3302.				0			0	
3303.				0			0	
3398. Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0	0	0	0	
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0	0	0	0	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....	494,198	282,790	494,198	282,790	60,621	63,468	60,621	346,258	67,185
2. Allied lines.....	188,410	531,918	188,410	531,918	28,796	135,576	28,796	667,494	76,479
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....	1,924,184	841,022	1,924,184	841,022	590,521	347,440	590,521	1,188,462	196,119
5. Commercial multiple peril.....	963,771	614,352	963,771	614,352	101,260	66,249	101,260	680,601	197,398
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....	84,888	133,441	84,888	133,441	12,150	26,294	12,150	159,735	20,331
10. Financial guaranty.....				0				0	
11.1 Medical malpractice - occurrence.....				0				0	
11.2 Medical malpractice - claims-made.....				0				0	
12. Earthquake.....				0				0	
13. Group accident and health.....				0				0	
14. Credit accident and health (group and individual).....				0				(a) 0	
15. Other accident and health.....				0		21		(a) 21	2
16. Workers' compensation.....		9,800,118		9,800,118		1,680,611		11,480,729	1,763,403
17.1 Other liability - occurrence.....	1,355,142	6,858,233	1,355,142	6,858,233	1,732,449	3,712,978	1,732,449	10,571,211	4,240,911
17.2 Other liability - claims-made.....		506,746		506,746	1,272	29,085	1,272	535,831	60,521
18.1 Products liability - occurrence.....	37,500	388,068	37,500	388,068	111,503	299,517	111,503	687,585	425,283
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....	7,264,284	2,731,018	7,264,284	2,731,018	1,033,902	500,713	1,033,902	3,231,731	497,164
19.3, 19.4 Commercial auto liability.....	644,992	5,916,458	644,992	5,916,458	314,819	1,045,008	314,819	6,961,466	1,483,269
21. Auto physical damage.....	354,720	370,340	354,720	370,340	87,718	127,245	87,718	497,585	64,039
22. Aircraft (all perils).....				0				0	
23. Fidelity.....	37,375	11,677	37,375	11,677	11,204	19,305	11,204	30,982	1,991
24. Surety.....	25,000	219,817	25,000	219,817	542	1,741	542	221,558	129,471
26. Burglary and theft.....	1,200	978	1,200	978	1,038	1,925	1,038	2,903	343
27. Boiler and machinery.....				0	2,632	18	2,632	18	2,401
28. Credit.....				0				0	
29. International.....				0				0	
30. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
31. Reinsurance - nonproportional assumed liability.....	XXX	344,325		344,325	XXX			344,325	2,020
32. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
34. TOTALS.....	13,375,664	29,551,301	13,375,664	29,551,301	4,090,427	8,057,194	4,090,427	37,608,495	9,228,330

DETAILS OF WRITE-INS

3301.				0				0	
3302.				0				0	
3303.				0				0	
3398. Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0	0	0	0	0	0

(a) Including \$.....0 for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	1,816,484			1,816,484
1.2 Reinsurance assumed.....	3,199,464			3,199,464
1.3 Reinsurance ceded.....	1,816,484			1,816,484
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	3,199,464	0	0	3,199,464
2. Commission and brokerage:				
2.1 Direct excluding contingent.....		5,962,868		5,962,868
2.2 Reinsurance assumed excluding contingent.....		7,313,096		7,313,096
2.3 Reinsurance ceded excluding contingent.....		5,962,868		5,962,868
2.4 Contingent - direct.....		431,456		431,456
2.5 Contingent - reinsurance assumed.....		889,951		889,951
2.6 Contingent - reinsurance ceded.....		431,456		431,456
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	8,203,047	0	8,203,047
3. Allowances to managers and agents.....				0
4. Advertising.....		82,936		82,936
5. Boards, bureaus and associations.....	10,462	235,429		245,891
6. Surveys and underwriting reports.....		159,128		159,128
7. Audit of assureds' records.....		61,913		61,913
8. Salary and related items:				
8.1 Salaries.....	1,712,221	2,899,141	29,301	4,640,663
8.2 Payroll taxes.....	129,327	219,915	2,405	351,647
9. Employee relations and welfare.....	479,318	795,789	7,772	1,282,879
10. Insurance.....	36,033	58,368	587	94,988
11. Directors' fees.....	8,983	10,460	2,443	21,886
12. Travel and travel items.....	74,696	109,568		184,264
13. Rent and rent items.....	181,836	308,744	3,098	493,678
14. Equipment.....	56,773	98,047	959	155,779
15. Cost or depreciation of EDP equipment and software.....	219,965	341,367	3,490	564,822
16. Printing and stationery.....	52,800	92,061	919	145,780
17. Postage, telephone and telegraph, exchange and express.....	111,127	179,414	1,768	292,309
18. Legal and auditing.....		21,432	9,201	30,633
19. Totals (Lines 3 to 18).....	3,073,541	5,673,712	61,943	8,809,196
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....47,718.....		1,128,321		1,128,321
20.2. Insurance department licenses and fees.....		40,576		40,576
20.3. Gross guaranty association assessments.....		93,309		93,309
20.4. All other (excluding federal and foreign income and real estate).....		26,290		26,290
20.5. Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	1,288,496	0	1,288,496
21. Real estate expenses.....			208,886	208,886
22. Real estate taxes.....			19,653	19,653
23. Reimbursements by uninsured accident and health plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	101,704	56,629	3,140	161,473
25. Total expenses incurred.....	6,374,709	15,221,884	293,622	(a).....21,890,215
26. Less unpaid expenses - current year.....	9,228,330	2,644,895	45,284	11,918,509
27. Add unpaid expenses - prior year.....	8,577,507	2,276,210	114,803	10,968,520
28. Amounts receivable relating to uninsured accident and health plans, prior year.....				0
29. Amounts receivable relating to uninsured accident and health plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	5,723,886	14,853,199	363,141	20,940,226

DETAILS OF WRITE-INS

2401. Contracted services.....	101,704	56,091	3,140	160,935
2402. Contributions.....		538		538
2403.				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	101,704	56,629	3,140	161,473

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....873,030	.....961,960
1.1 Bonds exempt from U.S. tax.....	(a).....102,617	.....102,468
1.2 Other bonds (unaffiliated).....	(a).....4,146,794	.....4,048,602
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....49	.....49
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....492,308	.....492,308
5. Contract loans.....	.....	.....
6. Cash/short-term investments.....	(e).....93,696	.....93,696
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....4,236	.....4,236
9. Aggregate write-ins for investment income.....	.....2,447	.....2,447
10. Total gross investment income.....	.....5,715,177	.....5,705,766
11. Investment expenses.....		(g).....293,622
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h).....
14. Depreciation on real estate and other invested assets.....		(i).....85,925
15. Aggregate write-ins for deductions from investment income.....		.....4,622
16. Total deductions (Lines 11 through 15).....		.....384,169
17. Net investment income (Line 10 minus Line 16).....		.....5,321,597

DETAILS OF WRITE-INS

0901. Miscellaneous interest.....	.....2,447	.....2,447
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....2,447	.....2,447
1501. Interest expense on deferred compensation.....		.....4,622
1502. ....		.....
1503. ....		.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....4,622

- (a) Includes \$.....129,055 accrual of discount less \$.....79,255 amortization of premium and less \$.....31,951 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....460,650 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....6,576 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....85,925 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. government bonds.....					.....0
1.1 Bonds exempt from U.S. tax.....					.....0
1.2 Other bonds (unaffiliated).....	.....12	.....(670,210)	.....(1,258,006)		.....(1,928,204)
1.3 Bonds of affiliates.....					.....0
2.1 Preferred stocks (unaffiliated).....					.....0
2.11 Preferred stocks of affiliates.....					.....0
2.2 Common stocks (unaffiliated).....	.....22,880		.....(23,091)		.....(211)
2.21 Common stocks of affiliates.....			.....(26,764)		.....(26,764)
3. Mortgage loans.....					.....0
4. Real estate.....	.....212,625		.....(320,735)		.....(108,110)
5. Contract loans.....					.....0
6. Cash/short-term investments.....					.....0
7. Derivative instruments.....					.....0
8. Other invested assets.....			.....32,197		.....32,197
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....235,517	.....(670,210)	.....(1,596,399)	.....0	.....(2,031,092)

DETAILS OF WRITE-INS

0901. ....					.....0
0902. ....					.....0
0903. ....					.....0
0998. Summary of remaining write-ins for Line 9 from overflow page..	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	.....0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) Decrease
1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2.....	2,866,073	5,119,119	2,253,046
2. Other Nonadmitted Assets:			
2.1 Bills receivable.....			0
2.2 Furniture, equipment and supplies.....	2,690	6,942	4,252
2.3 Leasehold improvements.....			0
2.4 Loans on personal security, endorsed or not.....			0
3. Total (Lines 2.1 to 2.4).....	2,690	6,942	4,252
4. Aggregate write-ins for other assets.....	115,843	110,076	(5,767)
5. Total (Line 1 plus Lines 3 and 4).....	2,984,606	5,236,137	2,251,531

DETAILS OF WRITE-INS

0401. Other prepaid expenses.....	50,209	54,660	4,451
0402. Defined benefit plan intangible asset.....	36,075		(36,075)
0403. Defined contribution plan prepaid expenses.....	29,559	55,416	25,857
0498. Summary of remaining write-ins for Line 4 from overflow page.....	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....	115,843	110,076	(5,767)

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices

The accompanying financial statements of The Hamilton Mutual Insurance Company of Cincinnati, Ohio (the "Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Insurance Department. The Company recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for reporting the financial condition and results of operations of an insurance company and for determining its solvency under Ohio Insurance Law. The National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures manual has been adopted as a component of prescribed or permitted practices by the State of Ohio.

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c. Accounting Policies

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by the daily pro rata method. Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable. Deferred income taxes are provided for temporary differences between the tax basis of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost using the scientific method. Non-investment grade short-term investments are stated at the lower of amortized cost or fair value.
- (2) Bonds not backed by other loans are stated at amortized cost using the scientific method. Non-investment grade bonds are stated at the lower of amortized cost or fair value. Bonds in which a decline in fair value is deemed to be other than temporary are written down to fair value and a realized loss is recorded for the amount of the write down.
- (3) Common stocks are stated at market, except for investments in stocks of unconsolidated subsidiaries and affiliates in which the Company has an interest of 20% or more, which are carried on the equity basis. Common stocks in which a decline in fair value is deemed to be other than temporary are written down to fair value and a realized loss is recorded for the amount of the write down.
- (4) Real estate is reported at book value, less any encumbrances. The Company uses straight-line depreciation for all of its real estate holdings with the lives varying depending on the type of building.
- (5) Loan-backed securities are stated at amortized cost. Non-investment grade loan-backed securities are stated at the lower of amortized cost or fair value. The retrospective adjustment method is used to value all loan-backed securities.
- (6) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts – Premiums.
- (7) Liabilities for losses are based upon case-basis estimates of reported losses, estimates of unreported losses based upon prior experience adjusted for current trends, estimates of losses expected to be paid under assumed reinsurance contracts, and deductions of amounts for reinsurance placed with reinsurers. Liabilities for loss adjustment expenses are provided by estimating expenses expected to be incurred in settling the claims provided for in the loss reserves. Management believes that the provisions for losses and loss adjustment expenses are adequate to cover the ultimate net cost of losses incurred to date. Since the provisions are necessarily based on estimates, the ultimate liability may be more or less than such provisions. Changes in estimates are reflected in current operations.

2. Accounting Changes and Corrections of Errors

- a. Effective January 1, 2002, the Company adopted Statement of Statutory Accounting Principle (SSAP) No. 82 (Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and Web Site Development Costs). SSAP No. 82 requires the capitalization of certain costs incurred in connection with developing or purchasing internal use software. Non-operating system software is a non-admitted asset. Prior to adoption of SSAP No. 82, the Company expensed all internal use software related costs as incurred. The effect of adopting this accounting principle was to increase net income for the year ended December 31, 2002 by \$144,260.
- b. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Ohio. Effective January 1, 2001, the State of Ohio required that insurance companies domiciled in the State of Ohio prepare their statutory basis financial statements in accordance with the NAIC Accounting Practices and Procedures manual, version effective January 1, 2001, subject to any deviations prescribed or permitted by the Ohio Insurance Division. Many changes were made to this manual effective January 1, 2001 as a result of the NAIC "Codification Project".

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures manual, version effective January 1, 2001, were reported as changes in accounting principles. The cumulative effect of changes in accounting principles was reported as an adjustment to unassigned funds (surplus) in the period the change was implemented. The cumulative effect was the difference between the amount of capital and surplus at the beginning of 2001 and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a cumulative effect of changes in accounting principles that increased unassigned funds (surplus) by \$59,331 as of January 1, 2001. Following are the most significant changes:

Deferred Taxes

Deferred income taxes are provided for temporary differences between the tax basis of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company's net deferred tax asset is non-admitted due to the probability that the Company will not have taxable income in the foreseeable future due to a large interest obligation it has on surplus notes (see Note 13). The Company's unassigned funds (surplus) was unaffected by this change in accounting principle.

Recognition of Premiums Billed on an Installment Basis

Written premiums are booked in full at the inception of the policy. Prior to 2001, the Company booked installment premiums as billed, not at the inception of the policy. This conversion resulted in a \$2,954,133 increase to written premiums and unearned premiums (\$534,656 on a direct basis) and a decrease to unassigned funds (surplus) of \$426,302 for related commission and premium tax expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Changes and Corrections of Errors (continued)

Earned But Unbilled (EBUB) Premium Recognition

Audit premiums (earned but unbilled) are estimated and recorded as a decrease to unearned premiums and an offsetting receivable is established. EBUB resulted in a net increase to unassigned funds (surplus) of \$285,931. This increase in unassigned funds reflects the net amount of earned premiums, non-admitted receivable, commissions, and premium taxes.

Defined Benefit Retirement Plan

The cost of the defined benefit retirement plan is systematically accrued during the covered employees' active service lives after vesting. The cost of services rendered by employees prior to becoming vested in the plan is recognized in the period the employees become vested. As of January 1, 2001, Employers Mutual Casualty Company's (Employers Mutual) plan assets exceeded the projected benefit obligation (liability) by \$9,669,418, resulting in a net pension asset. Employers Mutual elected to amortize this asset into income over ten years; therefore, there was no surplus effect as of January 1, 2001.

Defined Contribution Retirement Plan

The Company records a prepaid asset for employer contributions to unvested employees' accounts in the defined contribution retirement plan. However, this prepaid asset is non-admitted so there is no effect on surplus. The prepaid asset as of January 1, 2001 amounted to \$61,607.

Recognition of Goodwill

At December 31, 2000 the Company had unamortized positive goodwill of \$393,048 from its investment in Employers Modern Life Company. The goodwill was required to be non-admitted by the Ohio Insurance Department. As of January 1, 2001, the Company was allowed to admit the goodwill, which increased unassigned funds (surplus) by \$393,048.

Real Estate Investments

The Company was required to reclassify its ownership of a Cincinnati apartment building to properties held for sale. As of January 1, 2001, the Company did not have a valid appraisal of the property, therefore the entire balance of the property was non-admitted. This change resulted in a decrease of unassigned funds (surplus) of \$312,008. Subsequently, the apartment building was sold during December 2002.

3. Business Combinations and Goodwill

- a. The Company purchased a 25% interest in Employers Modern Life Company on June 25, 1997 from Employers Mutual. Employers Modern Life Company is licensed in 49 states and sells life insurance, annuities and accident and health insurance. The transaction was accounted for as a statutory purchase; the cost was \$6,500,000, resulting in goodwill in the amount of \$604,690. Goodwill amortization relating to the purchase of Employers Modern Life Company was \$60,469 for the year ended December 31, 2002.
- b. None.
- c. None.

4. Discontinued Operations – None.

5. Investments

- a. Mortgage Loans – None.
- b. Debt Restructuring – None.
- c. Reverse Mortgages – None.
- d. Loan-Backed Securities
 - (1) The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date.
 - (2) Prepayment assumptions for loan-backed securities are obtained from Bloomberg.
 - (3) The Company obtained the market value of its loan-backed securities from Merrill Lynch.
 - (4) Not applicable.
- e. Repurchase Agreements – None.

6. Joint Ventures, Partnerships and Limited Liability Companies - None.

7. Investment Income

- (1) All investment income due and accrued amounts that are over 90 days past due are non-admitted.
- (2) None.

8. Derivative Instruments - None.

9. Income Taxes

- a. The components of the net deferred tax asset/(liability) at December 31 are as follows:

	12/31/2002
Total of all deferred tax assets	\$ 5,084,704
Total of all deferred tax liabilities	\$ 174,218
Total deferred tax assets non-admitted in accordance with SSAP No. 10, Income Taxes	\$ 2,816,245
Total deferred tax assets admitted	\$ 2,268,459
Increase (decrease) in deferred tax assets non-admitted	\$ (2,191,643)

- b. Deferred tax liabilities are not recognized for the following amounts – None.

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE THE HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO
NOTES TO THE FINANCIAL STATEMENTS

9. Income Taxes (continued)

c. Current income taxes incurred consist of the following major components:

	2002	2001
Current year expense	\$ 836,657	\$ -
Settlement of prior year tax	\$ -	\$ 13,452
Current income taxes incurred	\$ 836,657	\$ 13,452

The main components of the 2002 deferred tax amounts are as follows:

	Statutory	Tax	Difference	Tax Effect
Deferred tax assets:				
Loss and LAE reserves	\$ (48,273,941)	\$ (42,083,480)	\$ 6,190,461	\$ 2,104,757
Accrued deferred compensation	\$ (321,447)	\$ -	\$ 321,447	\$ 109,292
Postretirement benefits	\$ (418,462)	\$ -	\$ 418,462	\$ 142,277
Unearned premiums	\$ (20,485,217)	\$ (16,539,118)	\$ 3,946,099	\$ 1,341,674
Other deferred tax assets	\$ 68,446,212	\$ 70,932,578	\$ 2,486,366	\$ 845,364
Subtotal - deferred tax assets before minimum tax credits	\$ (1,052,855)	\$ 12,309,980	\$ 13,362,835	\$ 4,543,364
Minimum tax credits				\$ 541,340
Total deferred tax assets				\$ 5,084,704
Deferred tax assets non-admitted				\$ 2,816,245
Deferred tax liabilities:				
Common stocks	\$ 95,952	\$ 30,000	\$ (65,952)	\$ (22,423)
Change in accounting methods	\$ -	\$ (207,065)	\$ (207,065)	\$ (70,402)
Other deferred tax liabilities	\$ 1,669,275	\$ 1,429,885	\$ (239,390)	\$ (81,393)
Total deferred tax liabilities	\$ 1,765,227	\$ 1,252,820	\$ (512,407)	\$ (174,218)

The changes in the main components of deferred tax assets and deferred tax liabilities are as follows:

	12/31/2002	12/31/2001	Change
Deferred tax assets resulting from book/tax differences in:			
Loss and LAE reserves	\$ 2,104,757	\$ 1,983,000	\$ 121,757
Accrued deferred compensation	\$ 109,292	\$ 101,738	\$ 7,554
Postretirement benefits	\$ 142,277	\$ 137,792	\$ 4,485
Unearned premiums	\$ 1,341,674	\$ 1,161,816	\$ 179,858
Other deferred tax assets	\$ 845,364	\$ 110,673	\$ 734,691
Net operating loss carry forward	\$ -	\$ 1,440,582	\$ (1,440,582)
Minimum tax credits	\$ 541,340	\$ 241,010	\$ 300,330
Gross deferred tax assets	\$ 5,084,704	\$ 5,176,611	\$ (91,907)
Non-admitted deferred tax assets	\$ 2,816,245	\$ 5,007,888	\$ (2,191,643)
Deferred tax liabilities resulting from book/tax differences in:			
Common stocks	\$ 22,423	\$ 30,274	\$ (7,851)
Change in accounting methods	\$ 70,402	\$ 72,007	\$ (1,605)
Other deferred tax liabilities	\$ 81,393	\$ 66,442	\$ 14,951
Gross deferred tax liabilities	\$ 174,218	\$ 168,723	\$ 5,495

d. Among the more significant book to tax adjustments were the following:

	Amount	Tax Effect
Income before taxes	\$ 3,970,690	\$ 1,350,034
Book incurred loss v.s. tax incurred loss	\$ 329,740	\$ 112,112
Impaired losses not deductible for tax	\$ 670,210	\$ 227,871
Unearned premiums	\$ 507,308	\$ 172,485
Tax exempt interest	\$ (102,468)	\$ (34,839)
Net operating loss carry forward	\$ (4,265,160)	\$ (1,450,154)
Other	\$ 466,819	\$ 158,718
Taxable income	\$ 1,577,139	\$ 536,227
State income tax	\$ -	\$ 100
Alternative minimum tax	\$ -	\$ 300,330
Current year expense	\$ -	\$ 836,657

e. (1) At December 31, 2002, the Company has \$0 of operating loss carry forwards.

(2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

2002	\$ 836,557
2001	\$ -
2000	\$ 11,876

NOTES TO THE FINANCIAL STATEMENTS

9. Income Taxes (continued)
- f. (1) The Company's federal income tax return is not consolidated with any other entity.
(2) Not applicable.
10. Information Concerning Parent, Subsidiaries and Affiliates
The Company is affiliated with Employers Mutual, an insurance company domiciled in the state of Iowa. The Company is indirectly controlled by Employers Mutual through its Board of Directors. At December 31, 2002, the Company reported \$24,241 as due to affiliates under the terms of the intercompany pooling agreement. These amounts are settled within 45 days. Certain investment functions are performed by Employers Mutual for all members of the corporate group. Employers Mutual allocates these costs to each company based on a weighted average of total invested assets and number of investment transactions of each company.
11. Debt – None.
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
- a. Defined Benefit Plan - None.
- b. Defined Contribution Plan - None.
- c. Multiemployer Plans – None.
- d. Consolidated/Holding Company Plans
The Company participates in the Employers Mutual's employee benefit plans. Subsidiaries that do not participate in the EMC Insurance Companies intercompany pooling agreement are charged directly for their share of the costs and the remainder is allocated to the pool participants based on their pool participation percentage. The Company has no legal obligation for benefits provided under these plans. A summary of the benefit plans follows:
- The Employers Mutual defined benefit retirement plan covers substantially all employees of Employers Mutual and its subsidiaries. The plan is funded by employer contributions and provides benefits under two different formulas, depending on an employee's age and date of service. Benefits generally vest after five years of service. Assets held in the plan are a mix of equity, debt and guaranteed interest securities and real estate funds. Pension cost allocated to the Company amounted to \$257,992 and \$150,606 in 2002 and 2001, respectively.
- A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The minimum liability adjustment, less allowable intangible assets is reported in surplus in the amount of \$114,370 and \$0 for the years ended December 31, 2002 and 2001, respectively.
- The Employers Mutual postretirement benefit plans (the Plans) provide certain health care and life insurance benefits to retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age and have attained the required length of service while working for Employers Mutual and its subsidiaries. The health care postretirement plan requires contributions from participants and contains certain cost sharing provisions such as coinsurance and deductibles. The life insurance plan is non-contributory. The benefits provided under both plans are subject to change. Employers Mutual has established two Voluntary Employee Beneficiary Association (VEBA) trusts to fund the postretirement health care and life insurance benefit plans. Assets held in the VEBA trusts are primarily invested in life insurance products purchased from Employers Modern Life Company, a subsidiary of Employers Mutual. The Company's postretirement benefit cost was \$212,009 and \$156,735 for the years ended December 31, 2002 and 2001, respectively.
- The Employers Mutual 401K Savings Plan covers substantially all employees of Employers Mutual and its subsidiaries. Employers Mutual matches 50 percent of employee contributions up to 6 percent of salaries. The Company's share of the savings plan expenses amounted to \$155,134 in 2002 and \$105,695 in 2001.
- e. Postemployment Benefits and Compensated Absences - None.
13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations
- (1) Not applicable. The Company is a mutual insurance company.
- (2) Not applicable. The Company is a mutual insurance company.
- (3)-(5) Under the insurance regulations of the State of Ohio, the maximum amount of dividends which the Company can pay to policyholders within a twelve month period without prior approval of the Insurance Commissioner is limited to the greater of 10% of statutory surplus as regards policyholders as of the preceding December 31 or net income of the preceding calendar year on a statutory basis, not greater than earned surplus. The Company's statutory surplus and net income at December 31, 2002 was \$23,968,147 and \$3,134,033, respectively. The maximum dividend payment which may be made without prior approval in 2003 is \$3,134,033.
- (6)-(8) None.
- (9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Unrealized gains and losses	\$ (1,062,724)
Non-admitted asset values	\$ 2,251,531
Provision for reinsurance	\$ -

NOTES TO THE FINANCIAL STATEMENTS

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations (continued)

(10) The Company has issued the following surplus notes to affiliate, Employers Mutual, in exchange for cash:

Interest Rate	Date Issued	Face Amount	Carrying Amount	Interest Paid Current Year	Total Interest Paid	Accrued Interest	Unapproved Interest	Date of Maturity
8.00%	Mar. 24, 1997	\$ 10,000,000	\$ 10,000,000	\$ -	\$ 1,820,274	\$ -	\$ 2,800,000	None
8.00%	June 27, 1997	\$ 6,500,000	\$ 6,500,000	\$ -	\$ 1,046,411	\$ -	\$ 1,820,000	None

The surplus notes listed above have the following repayment conditions and restrictions:

- (1) The principal amount outstanding under the surplus notes shall be due in one lump sum payment on the earlier of the date an event of default occurs or the date on which the nominees of Employers Mutual shall cease to constitute at least a majority of the Board of Directors of the Company.
- (2) Interest payments (8% of outstanding principal per annum) are due January 1 and July 1 of each year upon approval of the State of Ohio Insurance Department.
- (3) The indebtedness of the Company evidenced by these surplus notes shall be subordinate and junior in right of payment to the Company's obligations to its policyholders and all other creditors, whether now outstanding or hereafter incurred and in the event of any insolvency proceedings, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of the Company, whether voluntary or involuntary, all such obligations shall be entitled to be paid in full before any payment shall be made on account of the principal of, or interest on, these surplus notes.

(11)-(12) None.

14. Contingencies

a. Contingent Commitments – None.

b. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. The Company has accrued liabilities for guaranty fund assessments and second injury fund assessments of \$229,542 and \$247,163, respectively, as of December 31, 2002. The guaranty fund assessments are expected to be paid over the next two years with premium tax offsets of \$223,952 expected to be realized within ten years of the payments. The second injury fund assessments accrual is based on projected loss payments. The periods over which the assessments will be paid is not known.

c. Gain Contingencies – None.

d. All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. Leases - None.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – None.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans – None.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – None.

20. Other Items

a. Extraordinary Items – None.

b. Troubled Debt Restructuring: Debtors – None.

c. Assets in the amount of \$2,455,048 and \$2,463,852 at December 31, 2002 and 2001, respectively, were on deposit with government authorities or trustees as required by law.

d. At December 31, 2002 and 2001, the Company had admitted assets of \$3,607,346 and \$8,903,794, respectively, in premiums receivable from Employers Mutual under the pooling agreement. Therefore, no provision for uncollectible amounts has been recorded.

e. Reinsurance Accounted for as a Deposit – None.

f. Multiple Peril Crop Insurance – None.

g. Mezzanine Real Estate Loans – None.

h. Health Care Receivables – None.

i. September 11 Events

As a result of the September 11, 2001 events, the Company incurred \$3,970 and \$12,000 in property losses in the financial statements at December 31, 2002 and 2001, respectively.

k. Real Estate – None.

l. Participating Policies – None.

m. Premium Deficiency Reserves – The Company anticipates investment income as a factor in the premium deficiency calculation.

n. Noncash Transactions – None.

21. Events Subsequent – None.

22. Reinsurance

a. Unsecured Reinsurance Recoverables

Reinsurer	NAIC Group Code	Federal I.D. No.	Aggregate Recoverable
Employers Mutual Casualty Company	0062	42-0234980	\$ 36,698,789

b. Reinsurance Recoverable in Dispute – None.

NOTES TO THE FINANCIAL STATEMENTS

22. Reinsurance (continued)

c. Reinsurance Assumed and Ceded

(1)

	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	(1) Premium Reserve	(2) Commission Equity	(3) Premium Reserve	(4) Commission Equity	(5) Premium Reserve	(6) Commission Equity
Affiliates	\$ 20,485,217	\$ 4,627,692	\$ 14,799,750	\$ 3,343,323	\$ 5,685,467	\$ 1,284,369
All Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 20,485,217	\$ 4,627,692	\$ 14,799,750	\$ 3,343,323	\$ 5,685,467	\$ 1,284,369

Direct Unearned Premium Reserves \$ 14,799,750

(2) The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

	(1) DIRECT	REINSURANCE		(4) NET
		(2) Assumed	(3) Ceded	
Contingent Commission	\$ 683,723	\$ 871,533	\$ 683,723	\$ 871,533
Sliding Scale Adjustments	\$ -	\$ -	\$ -	\$ -
Other Profit Commission Arrangements	\$ -	\$ -	\$ -	\$ -
Total	\$ 683,723	\$ 871,533	\$ 683,723	\$ 871,533

d. Uncollectible Reinsurance - None.

e. Commutation of Ceded Reinsurance - None.

f. Retroactive Reinsurance - None.

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

- The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-basis loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- The Company records accrued retrospective premium as an adjustment to earned premium.
- The Company had \$3,061,362 of net written premium subject to retrospective rating features, which was 6% of total net written premiums during 2002.
- Ten percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rated Contracts, has been non-admitted.

Total accrued retro premium	\$ 166,026
Unsecured amount	\$ 166,026
Less: Non-admitted amount (10%)	\$ 16,603
Admitted amount	\$ 149,423

24. Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years increased by \$568,732 during 2002. This increase represents approximately 1.3% of unpaid losses and loss adjustment expenses of \$45,445,947 as of December 31, 2001. Increases or decreases of this nature occur as a result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims.

25. Intercompany Pooling Arrangements

The Company and its affiliated property and casualty insurance companies are parties to reinsurance pooling agreements (collectively the "pooling agreement") with Employers Mutual. Under the terms of the pooling agreement, each company cedes all of its insurance business, with the exception of the voluntary reinsurance business assumed by the Company from non-affiliated insurance companies, to Employers Mutual and assumes from Employers Mutual an amount equal to its participation in the pool. All losses, settlement expenses and other underwriting and administrative expenses, excluding the voluntary reinsurance business assumed by Employers Mutual from unaffiliated insurance companies, are prorated among the companies on the basis of participation in the pool. Operations of the pool give rise to intercompany balances with Employers Mutual, which are settled on a quarterly basis. The investment and income tax activities of the pool participants are not subject to the pooling agreement. Participation in the pooling agreement is as follows:

	NAIC Code	Pool Participation
Employers Mutual Casualty Company	21415	65.5%
EMCASCO Insurance Company	21407	9.0%
Illinois EMCASCO Insurance Company	32808	8.0%
Dakota Fire Insurance Company	10863	5.0%
Hamilton Mutual Insurance Company	14125	5.0%
EMC Property & Casualty Company	25186	3.5%
Union Insurance Company of Providence	21423	2.5%
Farm and City Insurance Company	11053	1.5%
		100%

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE THE HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO
NOTES TO THE FINANCIAL STATEMENTS

25. Intercompany Pooling Arrangements (continued)

A single set of reinsurance treaties is maintained for the protection of all participants in the pool. Employers Mutual also cedes reinsurance on both a voluntary and a mandatory basis to state and national organizations in connection with various workers' compensation and assigned risk programs and to private organizations established to handle large risks. Reinsurance is ceded before pooling and redistribution to the participants. Following is a summary of the ceded reinsurance treaties for 2002:

Type of Reinsurance Treaty	Retentions	Reinsurance
Property per risk	\$ 3,000,000	100 percent of \$37,000,000
Property catastrophe	\$ 13,950,000 #	96.3 percent of \$79,000,000
Casualty	\$ 2,000,000	100 percent of \$38,000,000
Casualty - Workers' Compensation excess	-	\$20,000,000 excess of \$40,000,000
Umbrella	\$ 1,400,000 (1)	100 percent of \$8,600,000
Fidelity	\$ 1,150,000 (2)	95 percent of \$3,000,000
Surety	\$ 2,200,000 # (3)	98.5 percent of \$13,000,000
Non-Obligatory Surety Quota Share	\$ 10,500,000	70 percent of \$35,000,000
Boiler	\$ -	100 percent of \$50,000,000
Property - Terrorism	\$ 10,000,000	100 percent of \$30,000,000
Workers' Compensation - Terrorism	\$ 14,000,000 #	100 percent of \$46,000,000
Employment Practices Liability	\$ 500,000	50 percent of \$1,000,000

Retention amounts reflect the accumulated retentions of all layers within a treaty.

(1) An annual aggregate deductible of \$3,600,000 must be reached before the reinsurers may be petitioned.

(2) Subject to annual aggregate limits for all losses of \$14,000,000.

(3) Subject to annual aggregate limits for all losses of \$14,000,000 1st layer and \$15,000,000 2nd layer.

All participants in the pooling agreement have a contractual right of direct recovery from the reinsurers.

There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants.

Only Employers Mutual establishes a provision for reinsurance in Schedule F - Part 7. The write-off of uncollectible reinsurance is shared by all pool participants in accordance with the pool percentages.

26. Structured Settlements

- a. The participants of the EMC Insurance Companies intercompany pooling agreement have purchased annuities from life insurance companies, under which the claimant is payee, to fund future payments that are fixed pursuant to specific claim settlement provisions. The Company's share of loss reserves eliminated by the purchase of these annuities is \$137,611. The Company has a contingent liability of \$137,611 should the issuers of these annuities fail to perform under the terms of the annuities.
- b. The Company's share of the amount due from any one life insurance company does not equal or exceed one percent of the Company's policyholders' surplus.

27. High Deductibles – None.

28. Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses
 The Company does not discount unpaid losses or unpaid loss adjustment expenses.

29. Asbestos/Environmental Reserves

Through its participation in the EMC Insurance Companies intercompany pooling agreement, the Company has exposure to both asbestos and environmental claims. The Company's exposure arises from the sale of general liability, products liability and workers' compensation insurance by the pool members. This exposure is not material to the financial position of the Company.

The Company tries to estimate the full impact of these exposures by carrying full case-basis reserves on all known losses and estimating incurred but not reported losses based on previous experience.

The Company's asbestos and environmental related losses for each of the five most recent calendar years were as follows:

Asbestos - Net and Gross of Reinsurance	1998	1999	2000	2001	2002
Beginning Reserves	\$ 38,705	\$ 39,753	\$ 55,138	\$ 152,228	\$ 153,104
Incurred Losses and LAE	\$ 7,295	\$ 26,742	\$ 110,315	\$ 13,713	\$ 65,729
Calendar Year Payments for Losses and LAE	\$ 6,247	\$ 11,357	\$ 13,225	\$ 12,837	\$ 24,343
Ending Reserves	\$ 39,753	\$ 55,138	\$ 152,228	\$ 153,104	\$ 194,490

Environmental - Net and Gross of Reinsurance	1998	1999	2000	2001	2002
Beginning Reserves	\$ 196,374	\$ 188,421	\$ 154,183	\$ 151,423	\$ 96,694
Incurred Losses and LAE	\$ 3,890	\$ 2,389	\$ 20,602	\$ (25,661)	\$ 164,785
Calendar Year Payments for Losses and LAE	\$ 11,843	\$ 36,627	\$ 23,362	\$ 29,068	\$ 11,364
Ending Reserves	\$ 188,421	\$ 154,183	\$ 151,423	\$ 96,694	\$ 250,115

The Company holds IBNR and loss adjustment expense reserves for both asbestos and environmental claims. Such reserves totaled \$42,320 and \$56,199 for asbestos claims and \$178,536 and \$68,603 for environmental claims on both a gross and net basis at December 31, 2002.

NOTES TO THE FINANCIAL STATEMENTS

29. Asbestos/Environmental Reserves (continued)

During 2002 the Company re-evaluated the estimated ultimate losses for asbestos and environmental exposures. Based on this re-evaluation, the Company re-allocated \$37,500 and \$122,500 of bulk IBNR reserves to asbestos and environmental exposures, respectively. No additional IBNR reserves were established for these exposures.

During 2000, the Company re-evaluated the estimated ultimate losses for asbestos exposures. Based on this re-evaluation, the Company established an additional \$50,000 of bulk IBNR reserves for asbestos exposures.

30. Subscriber Savings Accounts – None.

31. Financial Guaranty Insurance Exposures – None.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	300,144	0.3	300,144	0.3
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....		0.0		0.0
1.22 Issued by U.S. government sponsored agencies.....	10,512,456	11.6	10,512,456	11.6
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....	1,000,000	1.1	1,000,000	1.1
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations..	993,674	1.1	993,674	1.1
1.43 Revenue and assessment obligations.....	30,146	0.0	30,146	0.0
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA.....	1,743,632	1.9	1,743,632	1.9
1.512 Issued by FNMA and FHLMC.....		0.0		0.0
1.513 Privately issued.....	1,503,663	1.7	1,503,663	1.7
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC.....	960,025	1.1	960,025	1.1
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....		0.0		0.0
1.523 All other privately issued.....	342,448	0.4	342,448	0.4
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....	50,126,957	55.4	50,126,957	55.4
2.2 Unaffiliated foreign securities.....	997,486	1.1	997,486	1.1
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated.....	8,490,837	9.4	8,490,837	9.4
3.42 Unaffiliated.....	95,952	0.1	95,952	0.1
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....	1,956,652	2.2	1,956,652	2.2
5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....		0.0		0.0
6. Policy loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash and short-term investments.....	11,257,106	12.4	11,257,106	12.4
9. Other invested assets.....	232,159	0.3	232,159	0.3
10. Total invested assets.....	90,543,337	100.0	90,543,337	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A

1.3 State regulating? Iowa

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No

2.2 If yes, date of change: _____
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1999

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/1999

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 10/09/2001

3.4 By what department or departments? Ohio

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes No

4.12 renewals? Yes No

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes No

4.22 renewals? Yes No

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes No

6.2 If yes, give full information: _____

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes No

7.2 If yes,
7.21 State the percentage of foreign control.0.000 %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Ernst & Young LLP, Suite 3400, 801 Grand Avenue, Des Moines, Iowa 50309-2764
-
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 Steven Charles Peck, 717 Mulberry, Des Moines, Iowa 50309 Vice President of the Company
-
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
-
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []
13. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.11 To directors or other officers \$.....0
- 14.12 To stockholders not officers \$.....0
- 14.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.21 To directors or other officers \$.....0
- 14.22 To stockholders not officers \$.....0
- 14.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- 15.21 Rented from others \$.....0
- 15.22 Borrowed from others \$.....0
- 15.23 Leased from others \$.....0
- 15.24 Other \$.....0
- Disclose in the Notes to Financial the nature of each obligation.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 16.2 If answer is yes:
- 16.21 Amount paid as losses or risk adjustment \$.....0
- 16.22 Amount paid as expenses \$.....0
- 16.23 Other amounts paid \$.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred.....	Yes [].....No [X].....	Yes [].....No [X]..
Common.....	XXX.....	XXX.....XXX.....	XXX.....XXX.....

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 2-Special Deposits? Yes [X] No []

18.2 If no, give full and complete information relating thereto.

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Loaned to others	\$.....	0
19.22 Subject to repurchase agreements	\$.....	0
19.23 Subject to reverse repurchase agreements	\$.....	0
19.24 Subject to dollar repurchase agreements	\$.....	0
19.25 Subject to reverse dollar repurchase agreements	\$.....	0
19.26 Pledged as collateral	\$.....	0
19.27 Placed under option agreements	\$.....	0
19.28 Letter stock or securities restricted as to sale	\$.....	0
19.29 Other	\$.....	0

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31	_____
19.32	_____
19.33	_____
19.34	_____
19.35	_____
19.36	_____
19.37	_____
19.38	_____
19.39	_____

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Mellon Bank, N.A.	One Mellon Bank Center, Room 1035, Pittsburgh PA 15258-0001

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [] No [X]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....230,837

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Insurance Services Office	101,197
National Council on Compensation Insurance	57,896

24.1 Amount of payments for legal expenses, if any? \$.....4,528

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
None	

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....5,126

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Alliance of American Insurers	4,530

GENERAL INTERROGATORIES (continued)

Part 2 - Property and Casualty Interrogatories

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes []	No [X]
1.2	If yes, indicate premium earned on U.S. business only.	\$.....	0
1.3	What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....	0
1.31	Reason for excluding:		
<hr/>			
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$.....	0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$.....	0
1.6	Individual policies:		
	Most current three years:		
1.61	Total premium earned	\$.....	0
1.62	Total incurred claims	\$.....	0
1.63	Number of covered lives	.....	0
	All years prior to most current three years:		
1.64	Total premium earned	\$.....	0
1.65	Total incurred claims	\$.....	0
1.66	Number of covered lives	.....	0
1.7	Group policies:		
	Most current three years:		
1.71	Total premium earned	\$.....	0
1.72	Total incurred claims	\$.....	0
1.73	Number of covered lives	.....	0
	All years prior to most current three years:		
1.74	Total premium earned	\$.....	0
1.75	Total incurred claims	\$.....	0
1.76	Number of covered lives	.....	0
2.1	Does the reporting entity issue both participating and non-participating policies?	Yes [X]	No []
2.2	If yes, state the amount of calendar year premiums written on:		
2.21	Participating	\$.....	32,516,820
2.22	Non-participating policies	\$.....	18,043,530
3.	For Mutual Reporting Entities and Reciprocal Exchange only:		
3.1	Does the reporting entity issue assessable policies?	Yes []	No [X]
3.2	Does the reporting entity issue non-assessable policies?	Yes [X]	No []
3.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?	.....	0.0 %
3.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$.....	0
4.	For Reciprocal Exchanges only:		
4.1	Does the exchange appoint local agents?	Yes []	No []
4.2	If yes, is the commission paid:		
4.21	Out of Attorney's-in-fact compensation	Yes []	No [] N/A []
4.22	As a direct expense of the exchange	Yes []	No [] N/A []
4.3	What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?		
<hr/>			
4.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred?	Yes []	No []
4.5	If yes, give full information:		
<hr/>			
5.1	What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? Casualty reinsurance contracts with limits to \$60,000,000.		
<hr/>			
<hr/>			
5.2	Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: External computer modeling (Risk Management Solutions (RMS) "Risk Link SP7") was used to calculate the Company's loss return periods. In 2002, Earthquake, U.S. Hurricane and Tornado/Hail perils were remodeled.		
<hr/>			
<hr/>			
5.3	What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable property insurance loss? The Company uses a catastrophe reinsurance program that has a limit at the gross loss that would be expected by a single event once every 250 year period.		
<hr/>			
5.4	Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?	Yes [X]	No []
5.5	If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.		
<hr/>			
6.1	Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?	Yes []	No [X]
6.2	If yes, indicate the number of reinsurance contracts containing such provisions.	.....

GENERAL INTERROGATORIES (continued)

Part 2 - Property and Casualty Interrogatories (continued)

7.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]

7.2 If yes, give full information:

8. If the reporting entity has assumed risks from another entity, there should be a charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

9.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force? Yes [] No [X]

9.2 If yes, give full information:

10.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 10.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:

10.11 Unpaid losses \$.....485,787
 10.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....55,807

10.2 Of the amount on Line 10.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds: \$.....0

10.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [X] N/A []

10.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

10.41 From0.0 %
 10.42 To0.0 %

10.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]

10.6 If yes, state the amount thereof at December 31 of the current year:

10.61 Letters of credit \$.....0
 10.62 Collateral and other funds \$.....0

11.1 What amount of installment notes is owned and now held by the reporting entity? \$.....0

11.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes [] No []

11.3 If yes, what amount? \$.....0

12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....150,000

12.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]

12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.4

13.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]

13.2 If yes, give full information:

14.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

14.11 Name of real estate holding company _____
 14.12 Number of parcels involved0
 14.13 Total book/adjusted carrying value \$.....0

14.2 If yes, provide explanation

15.1 Does the reporting entity write any warranty business? Yes [] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
15.11 Home.....					
15.12 Products.....					
15.13 Automobile.....					
15.14 Other*.....					

* Disclose type of coverage:

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2002	2 2001	3 2000	4 1999	5 1998
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	44,711,084	42,449,365	37,183,679	34,619,338	31,100,937
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	25,606,837	23,486,712	21,569,071	20,259,288	17,934,476
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	16,262,703	15,222,553	14,860,533	14,318,768	16,038,938
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	1,200,460	1,165,540	1,117,457	1,101,316	1,190,892
5. Non-proportional reinsurance lines (Lines 30, 31 & 32).....	10	(540)	(7,318)	10,677	11,978
6. Total (Line 34).....	87,781,094	82,323,630	74,723,422	70,309,387	66,277,221
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	30,571,975	29,407,352	24,101,173	21,443,128	19,744,118
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	13,680,155	12,586,198	10,824,661	9,752,058	9,092,284
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	5,431,797	4,932,220	4,771,777	4,466,451	4,368,395
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	876,413	821,479	750,163	724,687	711,672
11. Non-proportional reinsurance lines (Lines 30, 31 & 32).....	10	(540)	(7,318)	10,677	11,978
12. Total (Line 34).....	50,560,350	47,746,709	40,440,456	36,397,001	33,928,447
Statement of Income (Page 4)					
13. Net underwriting gain (Loss) (Line 8).....	(373,275)	(5,754,160)	(5,098,695)	(5,380,471)	(4,799,337)
14. Net investment gain (loss) (Line 11).....	4,886,904	4,949,357	6,487,823	2,588,977	3,111,245
15. Total other income (Line 15).....	(29,219)	(35,163)	(24,965)	22,635	102,852
16. Dividends to policyholders (Line 17).....	513,720	442,483	425,013	445,914	575,481
17. Federal and foreign income taxes incurred (Line 19).....	836,657	13,452	(99,268)	4,162	159,106
18. Net income (Line 20).....	3,134,033	(1,295,901)	1,038,418	(3,218,935)	(2,319,827)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Col. 3).....	97,828,841	96,266,861	88,037,011	82,759,735	80,833,360
20. Agents' balances or uncollected premiums (Page 2, Col. 3):					
20.1 In course of collection (Line 10.1).....	3,158,902	8,304,178	7,652,100	7,153,844	6,356,704
20.2 Deferred and not yet due (Line 10.2).....	299,021	443,704			
20.3 Accrued retrospective premiums (Line 10.3).....	149,423	155,912	130,134	107,823	107,590
21. Total liabilities excluding Protected Cell (Page 3, Line 24).....	73,860,694	75,876,106	67,237,198	61,235,723	56,782,859
22. Losses (Page 3, Lines 1 & 2).....	40,072,333	44,356,839	41,521,613	38,188,072	34,998,643
23. Loss adjustment expenses (Page 3, Line 3).....	9,228,330	8,577,507	7,873,048	7,189,729	6,509,624
24. Unearned premiums (Page 3, Line 9).....	20,485,217	17,926,993	13,464,611	11,982,599	11,188,024
25. Capital paid up (Page 3, Lines 28 & 29).....					
26. Surplus as regards policyholders (Page 3, Line 35).....	23,968,147	20,390,755	20,799,813	21,524,012	24,050,501
Risk-Based Capital Analysis					
27. Total adjusted capital.....	24,488,677	21,051,897	21,293,464	21,743,925	24,354,421
28. Authorized control level risk-based capital.....	6,278,627	5,663,401	4,941,975	4,438,714	4,211,408
Percentage Distribution of Cash and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0					
29. Bonds (Line 1).....	75.7	84.3	80.5	80.5	75.6
30. Stocks (Lines 2.1 & 2.2).....	9.5	10.1	10.1	13.2	16.0
31. Mortgage loans on real estate (Lines 3.1 & 3.2).....					1.5
32. Real estate (Lines 4.1, 4.2 & 4.3).....	2.2	3.2	3.2	3.5	
33. Cash and short-term investments (Line 5).....	12.4	2.1	6.0	2.7	6.6
34. Other invested assets (Line 6).....	0.3	0.2	0.2	0.2	0.1
35. Receivable for securities (Line 7).....		0.0			
36. Aggregate write-ins for invested assets (Line 8).....			0.0		0.1
37. Cash and invested assets (Line 9).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
38. Affiliated bonds (Sch. D, Summary, Line 25, Col. 1).....					
39. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1).....					
40. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2).....	8,490,837	8,517,601	7,868,492	7,615,329	8,726,474
41. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11).....					
42. Affiliated mortgage loans on real estate.....					1,123,981
43. All other affiliated.....					
44. Total of above lines 38 to 43.....	8,490,837	8,517,601	7,868,492	7,615,329	9,850,455
45. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0).....	35.4	41.8	37.8	35.4	41.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2002	2001	2000	1999	1998
Capital and Surplus Accounts (Page 4)					
46. Net unrealized capital gains (losses) (Line 23).....	(1,062,724)	717,050	(1,723,388)	433,288	969,765
47. Dividends to stockholders (Line 34).....					
48. Change in surplus as regards policyholders for the year (Line 37).....	3,577,392	(409,058)	(724,199)	(2,526,489)	(941,382)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
49. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	23,036,425	22,653,866	21,279,860	22,928,964	19,073,954
50. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	12,661,330	12,679,897	12,665,945	12,396,667	12,982,670
51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	13,606,083	10,814,295	10,810,944	10,804,166	15,259,258
52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	291,584	148,364	83,950	37,224	38,208
53. Nonproportional reinsurance lines (Lines 30, 31 & 32).....	208,985	90,720	64,603	55,085	45,781
54. Total (Line 34).....	49,804,407	46,387,142	44,905,302	46,222,106	47,399,871
Net Losses Paid (Page 9, Part 2, Col. 4)					
55. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	15,905,980	15,933,376	14,074,844	12,319,403	10,598,588
56. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	5,975,230	7,200,158	6,730,543	5,940,241	5,855,293
57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	3,604,095	4,821,545	3,571,224	3,330,526	3,026,505
58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	193,434	123,695	83,345	37,789	24,862
59. Nonproportional reinsurance lines (Lines 30, 31 & 32).....	208,985	90,720	64,603	55,085	45,781
60. Total (Line 34).....	25,887,724	28,169,494	24,524,559	21,683,044	19,551,029
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
61. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
62. Losses incurred (Line 2).....	55.6	69.2	68.4	69.5	67.6
63. Loss expenses incurred (Line 3).....	13.3	13.8	13.9	14.2	14.5
64. Other underwriting expenses incurred (Line 4).....	31.8	30.3	30.8	31.5	32.4
65. Net underwriting gain (loss) (Line 8).....	(0.7)	(13.3)	(13.1)	(15.1)	(14.5)
Other Percentages					
66. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0).....	30.2	27.5	29.8	30.7	31.2
67. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	68.9	83.0	82.2	83.7	82.1
68. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0).....	210.9	234.2	194.4	169.1	141.1
One Year Loss Development (000 omitted)					
69. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(69)	(108)	(590)	(1,547)	(2,294)
70. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 69 above divided by Page 4, Line 21, Col. 1 x 100).....	(0.3)	(0.5)	(2.7)	(6.4)	(9.2)
Two Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	858	168	(1,232)	(2,527)	(2,471)
72. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second year end (Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0).....	4.1	0.8	(5.1)	(10.1)	(40.8)

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS				
Governments (Including all obligations guaranteed by governments)	1. United States.....12,556,231	.....12,599,297	.....12,606,586	.....12,573,132
	2. Canada.....	.....	.....	.....
	3. Other Countries.....	.....	.....	.....
	4. Totals.....12,556,231	.....12,599,297	.....12,606,586	.....12,573,132
States, Territories and Possessions (Direct and guaranteed)	5. United States.....1,000,000	.....1,000,000	.....1,000,000	.....1,000,000
	6. Canada.....	.....	.....	.....
	7. Other Countries.....	.....	.....	.....
	8. Totals.....1,000,000	.....1,000,000	.....1,000,000	.....1,000,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....993,673	.....993,673	.....993,040	.....1,000,000
	10. Canada.....	.....	.....	.....
	11. Other Countries.....	.....	.....	.....
	12. Totals.....993,673	.....993,673	.....993,040	.....1,000,000
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....990,171	.....990,171	.....996,537	.....982,297
	14. Canada.....	.....	.....	.....
	15. Other Countries.....	.....	.....	.....
	16. Totals.....990,171	.....990,171	.....996,537	.....982,297
Public Utilities (unaffiliated)	17. United States.....9,826,194	.....10,139,564	.....9,827,775	.....10,000,000
	18. Canada.....	.....	.....	.....
	19. Other Countries.....	.....	.....	.....
	20. Totals.....9,826,194	.....10,139,564	.....9,827,775	.....10,000,000
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....42,146,876	.....45,371,319	.....44,054,664	.....44,807,853
	22. Canada.....	.....	.....	.....
	23. Other Countries.....997,486	.....1,167,310	.....996,890	.....1,000,000
	24. Totals.....43,144,362	.....46,538,629	.....45,051,554	.....45,807,853
Parent, Subsidiaries and Affiliates	25. Totals.....	.....	.....	.....
	26. Total Bonds..... 68,510,631	.....72,261,334	.....70,475,492	.....71,363,282
PREFERRED STOCKS				
Public Utilities (Unaffiliated)	27. United States.....	.....	.....	.....
	28. Canada.....	.....	.....	.....
	29. Other Countries.....	.....	.....	.....
	30. Totals.....0	.....0	.....0	.....0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	.....	.....	.....
	32. Canada.....	.....	.....	.....
	33. Other Countries.....	.....	.....	.....
	34. Totals.....0	.....0	.....0	.....0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....	.....	.....	.....
	36. Canada.....	.....	.....	.....
	37. Other Countries.....	.....	.....	.....
	38. Totals.....0	.....0	.....0	.....0
Parent, Subsidiaries and Affiliates	39. Totals.....	.....	.....	.....
	40. Total Preferred Stocks..... 0	.....0	.....0	.....0
COMMON STOCKS				
Public Utilities (Unaffiliated)	41. United States.....	.....	.....	.....
	42. Canada.....	.....	.....	.....
	43. Other Countries.....	.....	.....	.....
	44. Totals.....0	.....0	.....0	.....0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....95,952	.....95,952	.....30,000	.....
	46. Canada.....	.....	.....	.....
	47. Other Countries.....	.....	.....	.....
	48. Totals.....95,952	.....95,952	.....30,000	.....
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	.....	.....	.....
	50. Canada.....	.....	.....	.....
	51. Other Countries.....	.....	.....	.....
	52. Totals.....0	.....0	.....0	.....0
Parent, Subsidiaries and Affiliates	53. Totals.....8,490,837	.....8,490,837	.....6,500,000	.....
	54. Total Common Stocks..... 8,586,789	.....8,586,789	.....6,530,000	.....
	55. Total Stocks..... 8,586,789	.....8,586,789	.....6,530,000	.....
	56. Total Bonds and Stocks... 77,097,420	.....80,848,123	.....77,005,492	.....

(a) The aggregate value of bonds which are valued at other than actual fair value is \$....18,185,259.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year.....	81,017,613	6. Foreign exchange adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	13,413,083	6.1 Column 17, Part 1.....	_____
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	_____
3.1 Column 16, Part 1.....	(1,956,759)	6.3 Column 11, Part 2, Section 2.....	_____
3.2 Column 12, Part 2, Section 1.....	_____	6.4 Column 11, Part 4.....	_____
3.3 Column 10, Part 2, Section 2.....	(32,338)		0
3.4 Column 10, Part 4.....	60,830	7. Book/adjusted carrying value at end of current period.....	77,097,420
	(1,928,267)	8. Total valuation allowance.....	_____
4. Total gain (loss), Column 14, Part 4.....	22,890	9. Subtotal (Lines 7 plus 8).....	77,097,420
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4...	15,427,899	10. Total nonadmitted amounts.....	_____
		11. Statement value of bonds and stocks, current period.....	77,097,420

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments					
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded				
1. Prior.....	XXX.....	XXX.....	XXX.....	516	94	65	(1)	24		2	512	XXX.....	
2. 1993.....	30,023	2,978	27,045	16,215	1,608	1,900	81	1,335		470	17,761	XXX.....	
3. 1994.....	31,156	2,612	28,544	16,776	1,088	1,780	14	1,315		484	18,769	XXX.....	
4. 1995.....	31,157	2,449	28,708	17,565	1,170	1,850	17	1,492		514	19,720	XXX.....	
5. 1996.....	31,625	2,485	29,140	19,789	1,708	1,954	66	1,799		658	21,768	XXX.....	
6. 1997.....	32,096	1,362	30,734	18,794	391	1,612	10	2,227		577	22,232	XXX.....	
7. 1998.....	34,263	1,252	33,011	22,992	1,032	1,384	12	2,942		644	26,274	XXX.....	
8. 1999.....	37,131	1,531	35,600	23,734	1,226	977	75	3,198		732	26,608	XXX.....	
9. 2000.....	40,619	1,634	38,985	22,613	776	735	3	3,121		688	25,690	XXX.....	
10. 2001.....	45,585	2,309	43,276	22,076	1,060	492	18	3,173		539	24,663	XXX.....	
11. 2002.....	50,198	2,324	47,874	12,117	205	121		2,580		256	14,613	XXX.....	
12. Totals.....	XXX.....	XXX.....	XXX.....	193,187	10,358	12,870	295	23,206	0	5,564	218,610	XXX.....	

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	2,739	665	499		287	8	95		26		16	2,973	XXX.....
2. 1993.....	371	23	48		63		2		12		4	473	XXX.....
3. 1994.....	547	214	29		90	3	1		22		3	472	XXX.....
4. 1995.....	483	44	32		101	1	2		32		2	605	XXX.....
5. 1996.....	609	64	16		113	1	1		38		2	712	XXX.....
6. 1997.....	800	9	15		171		1		55		1	1,033	XXX.....
7. 1998.....	1,661	143	88		320	4	25		83		6	2,030	XXX.....
8. 1999.....	2,857	144	205	1	568	5	60		134		20	3,674	XXX.....
9. 2000.....	5,063	142	628	4	887	5	165		268		70	6,860	XXX.....
10. 2001.....	6,938	199	1,442	13	1,214	9	329		474		200	10,176	XXX.....
11. 2002.....	9,497	368	5,165	92	1,303	44	913		1,453		1,115	17,827	XXX.....
12. Totals.....	31,565	2,015	8,167	110	5,117	80	1,594	0	2,597	0	1,439	46,835	XXX.....

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....			XXX.....	2,573	400
2. 1993.....	19,946	1,712	18,234	66.4	57.5	67.4			5.00	396	77
3. 1994.....	20,560	1,319	19,241	66.0	50.5	67.4			5.00	362	110
4. 1995.....	21,557	1,232	20,325	69.2	50.3	70.8			5.00	471	134
5. 1996.....	24,319	1,839	22,480	76.9	74.0	77.1			5.00	561	151
6. 1997.....	23,675	410	23,265	73.8	30.1	75.7			5.00	806	227
7. 1998.....	29,495	1,191	28,304	86.1	95.1	85.7			5.00	1,606	424
8. 1999.....	31,733	1,451	30,282	85.5	94.8	85.1			5.00	2,917	757
9. 2000.....	33,480	930	32,550	82.4	56.9	83.5			5.00	5,545	1,315
10. 2001.....	36,138	1,299	34,839	79.3	56.3	80.5			5.00	8,168	2,008
11. 2002.....	33,149	709	32,440	66.0	30.5	67.8			5.00	14,202	3,625
12. Totals.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	0	0	XXX.....	37,607	9,228

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										DEVELOPMENT	
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002	11 One Year	12 Two Year
1. Prior.....	18,238	17,210	16,010	16,437	16,449	16,444	16,399	16,391	16,409	16,705	296	314
2. 1993.....	19,184	18,355	17,787	17,099	16,916	16,882	16,844	16,681	16,862	16,887	25	206
3. 1994.....	XXX	19,836	18,530	18,095	17,912	17,714	17,666	17,729	17,962	17,904	(58)	175
4. 1995.....	XXX	XXX	20,665	19,266	19,072	18,770	18,653	18,837	18,830	18,801	(29)	(36)
5. 1996.....	XXX	XXX	XXX	21,912	20,705	20,528	20,504	20,460	20,577	20,643	66	183
6. 1997.....	XXX	XXX	XXX	XXX	22,088	20,507	20,548	20,816	20,895	20,983	88	167
7. 1998.....	XXX	XXX	XXX	XXX	XXX	26,321	25,006	25,015	25,433	25,279	(154)	264
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	28,049	27,147	26,870	26,950	80	(197)
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	29,379	28,509	29,161	652	(218)
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,227	31,192	(1,035)	XXX
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	28,407	XXX	XXX
12. Totals.....											(69)	858

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior.....	000	5,121	8,038	9,626	10,961	11,825	12,413	12,818	13,270	13,758	XXX	XXX
2. 1993.....	7,342	11,415	13,316	14,765	15,386	15,698	15,974	16,156	16,320	16,426	XXX	XXX
3. 1994.....	XXX	7,690	11,927	14,076	15,555	16,339	16,809	17,032	17,167	17,454	XXX	XXX
4. 1995.....	XXX	XXX	8,232	13,035	15,259	16,705	17,310	17,849	18,062	18,228	XXX	XXX
5. 1996.....	XXX	XXX	XXX	9,959	14,585	16,549	18,124	19,097	19,614	19,969	XXX	XXX
6. 1997.....	XXX	XXX	XXX	XXX	9,428	14,040	16,531	18,343	19,302	20,005	XXX	XXX
7. 1998.....	XXX	XXX	XXX	XXX	XXX	11,095	16,600	19,683	21,887	23,332	XXX	XXX
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	11,416	17,337	21,083	23,410	XXX	XXX
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	12,868	19,375	22,569	XXX	XXX
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,871	21,490	XXX	XXX
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	12,033	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002
1. Prior.....	3,037	1,732	1,265	1,231	655	603	526	518	471	594
2. 1993.....	4,293	1,406	713	213	140	93	95	72	58	50
3. 1994.....	XXX	4,417	1,291	371	166	108	63	46	38	30
4. 1995.....	XXX	XXX	4,206	904	321	143	97	53	40	34
5. 1996.....	XXX	XXX	XXX	3,893	740	298	133	85	23	17
6. 1997.....	XXX	XXX	XXX	XXX	3,677	777	332	174	101	16
7. 1998.....	XXX	XXX	XXX	XXX	XXX	4,132	939	527	232	113
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	4,805	1,243	680	264
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,775	1,537	789
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,446	1,758
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,986

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	NO								
2. Alaska.....AK	NO								
3. Arizona.....AZ	NO								
4. Arkansas.....AR	NO								
5. California.....CA	NO								
6. Colorado.....CO	NO								
7. Connecticut.....CT	NO								
8. Delaware.....DE	NO								
9. District of Columbia.....DC	NO								
10. Florida.....FL	NO								
11. Georgia.....GA	NO								
12. Hawaii.....HI	NO								
13. Idaho.....ID	NO								
14. Illinois.....IL	NO								
15. Indiana.....IN	YES	2,212,372	2,104,177		1,206,866	807,491	1,128,926		
16. Iowa.....IA	YES								
17. Kansas.....KS	NO								
18. Kentucky.....KY	YES	13,154,726	12,495,962		9,178,221	9,903,914	6,618,037		
19. Louisiana.....LA	NO								
20. Maine.....ME	NO								
21. Maryland.....MD	NO								
22. Massachusetts.....MA	NO								
23. Michigan.....MI	YES	5,101,494	5,239,177		3,657,513	3,058,734	1,480,960		
24. Minnesota.....MN	NO								
25. Mississippi.....MS	NO								
26. Missouri.....MO	NO								
27. Montana.....MT	NO								
28. Nebraska.....NE	NO								
29. Nevada.....NV	NO								
30. New Hampshire.....NH	NO								
31. New Jersey.....NJ	NO								
32. New Mexico.....NM	NO								
33. New York.....NY	NO								
34. North Carolina.....NC	NO								
35. North Dakota.....ND	NO								
36. Ohio.....OH	YES	16,752,152	16,183,446		9,874,083	9,589,969	8,238,168		
37. Oklahoma.....OK	NO								
38. Oregon.....OR	NO								
39. Pennsylvania.....PA	NO								
40. Rhode Island.....RI	NO								
41. South Carolina.....SC	NO								
42. South Dakota.....SD	NO								
43. Tennessee.....TN	YES								
44. Texas.....TX	NO								
45. Utah.....UT	NO								
46. Vermont.....VT	NO								
47. Virginia.....VA	NO								
48. Washington.....WA	NO								
49. West Virginia.....WV	NO								
50. Wisconsin.....WI	NO								
51. Wyoming.....WY	NO								
52. American Samoa.....AS	NO								
53. Guam.....GU	NO								
54. Puerto Rico.....PR	NO								
55. US Virgin Islands.....VI	NO								
56. Canada.....CN	NO								
57. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
58. Totals.....(a).....6		37,220,744	36,022,762	0	23,916,683	23,360,108	17,466,091	0	0

DETAILS OF WRITE-INS

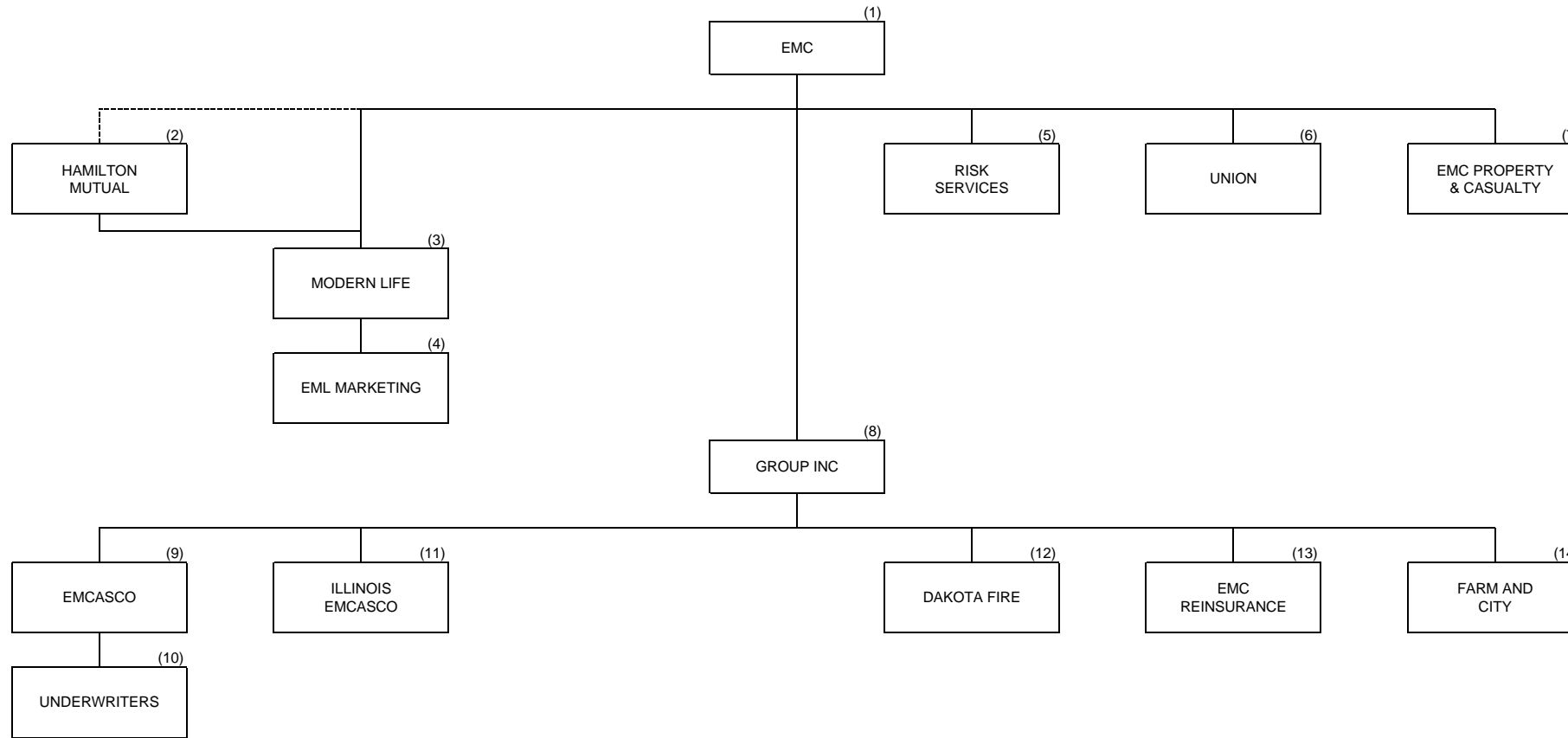
5701.....	XXX								
5702.....	XXX								
5703.....	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	0	0	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 + Line 5798) (Line 57 above)	XXX	0	0	0	0	0	0	0	0

Explanation of Basis of Allocation of Premiums by States, etc.
Gross premiums are allocated to states and territories based on location of risk.

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY

PART 1 - ORGANIZATIONAL CHART



FULL CORPORATE NAMES, DOMICILE AND VOTING CONTROL

	FEIN #	NAIC #	ST	COMPANY
(1)	42-0234980	21415	IA	EMPLOYERS MUTUAL CASUALTY COMPANY
(2)	31-0308480	14125	OH	HAMILTON MUTUAL INSURANCE COMPANY - (EMC controls the board of directors)
(3)	42-0868851	62928	IA	EMPLOYERS MODERN LIFE COMPANY - (EMC owns 75% of voting stock, Hamilton Mutual owns 25% of voting stock)
(4)	42-1277794		IA	EML MARKETING SERVICES, INC. - (Modern Life owns all voting stock)
(5)	42-1158985		IA	EMC RISK SERVICES, INC. - (EMC owns all voting stock)
(6)	05-0230479	21423	IA	UNION INSURANCE COMPANY OF PROVIDENCE - (EMC owns all voting stock)
(7)	63-0329091	25186	IA	EMC PROPERTY & CASUALTY COMPANY - (EMC owns all voting stock)
(8)	42-6234555		IA	EMC INSURANCE GROUP INC. - (EMC owns approximately 80% of voting stock and the remainder is publicly owned)
(9)	42-6070764	21407	IA	EMCASCO INSURANCE COMPANY - (Group Inc. owns all voting stock)
(10)	42-1483751		IA	EMC UNDERWRITERS, LLC. - (EMCASCO owns all units)
(11)	36-2857399	32808	IA	ILLINOIS EMCASCO INSURANCE COMPANY - (Group Inc. owns all voting stock)
(12)	45-0256230	10863	ND	DAKOTA FIRE INSURANCE COMPANY - (Group Inc. owns all voting stock)
(13)	42-1158991	40509	IA	EMC REINSURANCE COMPANY - (Group Inc. owns all voting stock)
(14)	42-0241350	11053	IA	FARM AND CITY INSURANCE COMPANY - (Group Inc. owns all voting stock)