



ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2002

OF THE CONDITION AND AFFAIRS OF THE

OHIO SECURITY INSURANCE COMPANY

NAIC Group Code 0148 0148 NAIC Company Code 24082 Employer's ID Number 31-0541777
(Current Period) (Prior Period)

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

Country of Domicile US

Incorporated November 1, 1950 Commenced Business February 11, 1951

Statutory Home Office 9350 Seward Road, Fairfield, Ohio 45014
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 9450 Seward Road, Fairfield, Ohio 45014 513-603-2400
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 9450 Seward Road, Fairfield, Ohio 45014
(Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 9450 Seward Road, Fairfield, Ohio 45014 513-603-2245
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address http://www.ocas.com

Statement Contact Dennis E. McDaniel 513-603-2245
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Policyowner Relations Contact 9450 Seward Road, Fairfield, Ohio 45014 513-603-2400
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Chairman	Stanley Neal Pontius
President / CEO	Dan Roy Carmichael
Exec. VP / COO	John Stanley Busby
Exec. VP / COO	Jeffery Linn Haniewich
Exec. VP / COO	Elizabeth Margaret Riczko
Sr. VP / Genl Counsel / Secretary	#Debra Kay Crane
Sr. Vice President	John Edward Bade, Jr.
Sr. Vice President	Ralph Glass Goode
Sr. Vice President	Richard Brendan Kelly
Sr. Vice President	Howard Leslie Sloneker III
Exec. VP / Chief Financial Officer	#Donald Floyd McKee
VP / Treasurer	#Arthur Larry Sisk
VP / Controller	Dennis Eugene McDaniel

VICE PRESIDENTS

Michael Len Akin
 Phillip Michael Boyd
 Michael Joseph Brennan
 Betsy Torrans Douglass
 Lloyd Edwin Geary
 Harold Michael Good
 David Jary Hasler
 George Herbert Henehan 2
 Daniel Fred Henke
 Richard Paul Hildbold
 Harry Elvin Hunter

Russell Francis Kelly
 George Richard Kesl
 Kurt Frederick Krueger
 Judith Mildred Kuschill
 Philip Russell Lucca
 Jerry Wilson Phillips
 Bruce Arthur Rutherford
 Derrick Dewayne Shannon
 Michael Eugene Sullivan
 Jane Cochran White
 Stephen Thomas Williams

DIRECTORS OR TRUSTEES

Terrence James Baehr
 Jack Elliott Brown
 Dan Roy Carmichael
 Catherine Elizabeth Dolan
 #Philip George Heasley
 Stephen Sloneker Marcum
 #Ralph Seefred Michael III
 Stanley Neal Pontius
 Howard Leslie Sloneker III
 #Jan Henry Suwinski

State of Ohio }
 County of Butler } SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Donald F. McKee
 Exec. VP / Chief Financial Officer

Dennis E. McDaniel
 Vice President and Controller

Howard L. Sloneker III
 Sr. Vice President

- 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 _____

Subscribed and sworn to before me this
 day of February, 2003

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Columns 1 minus 2)	Net Admitted Assets
1. Bonds	49,548,962		49,548,962	56,159,197
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1)				
2.2 Common stocks (Schedule D, Part 2, Section 2)	384,658		384,658	661,338
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 4,157,633 Schedule E, Part 1) and short-term investments (\$ Schedule DA, Part 2)	4,157,633		4,157,633	474,894
6. Other invested assets (Schedule BA)				
7. Receivable for securities				
8. Aggregate write-ins for invested assets				
9. Subtotals, cash and invested assets (Line 1 to Line 8)	54,091,253		54,091,253	57,295,429
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection	3,361,774	97,502	3,264,272	2,843,663
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	14,566		14,566	20,038
10.3 Accrued retrospective premiums				
11. Funds held by or deposited with reinsured companies				
12. Bills receivable, taken for premiums				
13. Amounts receivable under high deductible policies				
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Columns 7 and 8)				
15. Federal and foreign income tax recoverable and interest thereon (including \$ 2,855,583 net deferred tax asset)	2,855,583		2,855,583	3,050,019
16. Guaranty funds receivable or on deposit	60,860		60,860	10,148
17. Electronic data processing equipment and software				
18. Interest, dividends and real estate income due and accrued	733,910		733,910	822,527
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Receivable from parent, subsidiaries and affiliates	1,326,156		1,326,156	
21. Amount due from/to protected cells				
22. Equities and deposits in pools and associations				
23. Amounts receivable relating to uninsured accident and health plans				
24. Other assets nonadmitted (Exhibit 1)				
25. Aggregate write-ins for other than invested assets	21,189	21,189		
26. Total assets excluding protected cell assets (Line 9 through Line 25)	62,465,291	118,691	62,346,600	64,041,824
27. Protected cell assets				
28. TOTALS (Line 26 and Line 27)	62,465,291	118,691	62,346,600	64,041,824
DETAILS OF WRITE-INS				
0801.				
0802.				
0803.				
0898. Summary of remaining write-ins for Line 8 from overflow page				
0899. Totals (Line 0801 through Line 0803 plus Line 0898) (Line 8 above)				
2501. Other Assets	21,189	21,189		
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	21,189	21,189		

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE OHIO SECURITY INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	13,408,133	12,501,729
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	3,419,286	2,895,959
4. Commissions payable, contingent commissions and other similar charges	330,704	225,657
5. Other expenses (excluding taxes, licenses and fees)	531,590	407,609
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	268,008	257,625
7. Federal and foreign income taxes (including \$ on realized capital gains (losses)) (including \$ net deferred tax liability)	12,296	
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 9,788,205 and including warranty reserves of \$)	6,229,832	5,765,491
10. Advance premiums	85,190	
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	32,493	127,611
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,135,753	151,907
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	60,009	1,466,919
14. Amounts withheld or retained by company for account of others	392,552	341,962
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	65,000	
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	422,285	462,416
19. Payable to parent, subsidiaries and affiliates		648,662
20. Payable for securities		
21. Liability for amounts held under uninsured accident and health plans		
22. Capital notes \$ and interest thereon \$		
23. Aggregate write-ins for liabilities	1,789,245	2,264,522
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23)	28,182,376	27,518,069
25. Protected cell liabilities		
26. Total liabilities (Line 24 and Line 25)	28,182,376	27,518,069
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,500,430	3,500,430
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	1,499,570	969,441
33. Unassigned funds (surplus)	29,164,223	32,053,883
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		
34.2 shares preferred (value included in Line 29 \$)		
35. Surplus as regards policyholders (Line 27 to Line 33, less Line 34) (Page 4, Line 38)	34,164,223	36,523,754
36. TOTALS (Page 2, Line 28, Column 3)	62,346,599	64,041,823
DETAILS OF WRITE-INS		
2301. Reserve for California Proposition 103		78,161
2302. Retroactive Loss Reserves	1,464,245	1,813,861
2303. Retroactive LAE Reserves	324,500	372,000
2398. Summary of remaining write-ins for Line 23 from overflow page	500	500
2399. TOTALS (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	1,789,245	2,264,522
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. TOTALS (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. TOTALS (Line 3001 through Line 3003 plus Line 3098) (Line 30 above)		

UNDERWRITING AND INVESTMENT EXHIBIT

STATEMENT OF INCOME

UNDERWRITING INCOME	1 Current Year	2 Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)	13,780,214	13,887,295
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	8,241,031	8,833,740
3. Loss expenses incurred (Part 3, Line 25, Column 1)	2,106,015	1,757,899
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	4,923,066	4,491,878
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Line 2 through Line 5)	15,270,112	15,083,517
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(1,489,898)	(1,196,222)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	3,702,018	4,161,241
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	(818,064)	(146,997)
11. Net investment gain (loss) (Line 9 plus Line 10)	2,883,954	4,014,244
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,771 amount charged off \$ 98,597)	(96,825)	(65,040)
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(25,888)	(287,768)
15. Total other income (Line 12 through Line 14)	(122,713)	(352,808)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)	1,271,343	2,465,214
17. Dividends to policyholders	(38,683)	(7,163)
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	1,310,026	2,472,377
19. Federal and foreign income taxes incurred	298,635	2,401,594
20. Net income (Line 18 minus Line 19) (to Line 22)	1,011,391	70,783
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	36,523,757	37,026,711
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	1,011,391	70,783
23. Net unrealized capital gains or (losses)	(488,074)	154,904
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	63,342	1,972,686
26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3)	154,425	418,087
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(65,000)	
28. Change in surplus notes		
29. Surplus (contributed to) withdrawn from protected cells		
30. Cumulative effect of changes in accounting principles		608,398
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	(3,000,000)	(3,702,426)
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	(35,615)	(25,386)
37. Change in surplus as regards policyholders for the year (Line 22 through Line 36)	(2,359,531)	(502,954)
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35)	34,164,226	36,523,757
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)		
1401. Retroactive Losses Incurred	(2,317)	(193,443)
1402. Retroactive LAE Incurred	(23,506)	(93,863)
1403. Other Interest Expense		(376)
1498. Summary of remaining write-ins for Line 14 from overflow page	(65)	(86)
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	(25,888)	(287,768)
3601. Acquisition Expenses for Block of Business Purchased		(25,386)
3602. 2001 Pension Adjustment	(35,615)	
3603.		
3698. Summary of remaining write-ins for Line 36 from overflow page		
3699. Totals (Line 3601 through Line 3603 plus Line 3698) (Line 36 above)	(35,615)	(25,386)

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	15,018,616	14,038,048
2. Loss and loss adjustment expenses paid (net of salvage and subrogation)	8,957,442	9,617,008
3. Underwriting expenses paid	4,763,170	4,473,187
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	1,298,004	(52,147)
6. Net investment income	3,803,665	3,889,661
7. Other income (expenses):		
7.1 Agents' balances charged off	(96,825)	(65,040)
7.2 Net funds held under reinsurance treaties	(1,406,910)	(1,179,744)
7.3 Net amount withheld or retained for account of others	50,590	277,899
7.4 Aggregate write-ins for miscellaneous items	(423,004)	(583,752)
7.5 Total other income (Line 7.1 to Line 7.4)	(1,876,149)	(1,550,637)
8. Dividends to policyholders on direct business, less \$ 15,191 dividends on reinsurance assumed or ceded (net)	56,435	87,926
9. Federal and foreign income taxes (paid) recovered	(28,561)	(3,434,061)
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9)	3,140,524	(1,235,110)
Cash from Investments		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds	20,584,382	31,775,116
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Net gains or (losses) on cash and short-term investments		
11.7 Miscellaneous proceeds		
11.8 Total investment proceeds (Line 11.1 to Line 11.7)	20,584,382	31,775,116
12. Cost of investments acquired (long-term only):		
12.1 Bonds	15,016,635	37,347,986
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Miscellaneous applications		300,650
12.7 Total investments acquired (Line 12.1 to Line 12.6)	15,016,635	37,648,636
13. Net cash from investments (Line 11.8 minus Line 12.7)	5,567,747	(5,873,520)
Cash from Financing and Miscellaneous Sources		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in		
14.2 Capital notes, \$ less amounts repaid \$		
14.3 Net transfers from affiliates		1,846,884
14.4 Borrowed funds received		
14.5 Other cash provided		
14.6 Total (Lines 14.1 to 14.5)		1,846,884
15. Cash applied:		
15.1 Dividends to stockholders paid	3,000,000	3,702,426
15.2 Net transfers to affiliates	1,974,818	
15.3 Borrowed funds repaid		
15.4 Other applications	50,711	12,866
15.5 Total (Line 15.1 to Line 15.4)	5,025,529	3,715,292
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5)	(5,025,529)	(1,868,408)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17. Net change in cash and short-term investments (Line 10 plus Line 13 plus Line 16)	3,682,742	(8,977,038)
18. Cash and short-term investments:		
18.1 Beginning of year	474,894	9,451,932
18.2 End of year (Line 17 plus Line 18.1)	4,157,636	474,894
DETAILS OF WRITE-INS		
7.401 Other Interest		(376)
7.402 Retroactive Losses Paid	(351,933)	(453,036)
7.403 Retroactive LAE Paid	(71,006)	(130,254)
7.498 Summary of remaining write-ins for Line 7.4 from overflow page	(65)	(86)
7.499 Totals (Line 7.401 through Line 7.403 plus Line 7.498) (Line 7.4 above)	(423,004)	(583,752)

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 2	3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Column 1 plus 2 minus 3)
1. Fire	126,446	75,110	68,751	132,805
2. Allied lines	128,100	69,921	68,400	129,621
3. Farmowners multiple peril	16,246	24,918	2,843	38,321
4. Homeowners multiple peril	1,507,226	832,872	811,611	1,528,487
5. Commercial multiple peril	2,854,387	1,207,302	1,409,526	2,652,163
6. Mortgage guaranty				
8. Ocean marine	244	636	1	879
9. Inland marine	374,353	165,825	172,356	367,822
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	31,708	18,066	17,427	32,347
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	1,439,056	603,505	607,875	1,434,686
17.1 Other liability - occurrence	2,130,109	692,629	958,825	1,863,913
17.2 Other liability - claims-made	11,189	5,201	6,114	10,276
18.1 Products liability - occurrence	70,997	28,739	32,574	67,162
18.2 Products liability - claims-made	(12)	1	2	(13)
19.1, 19.2 Private passenger auto liability	1,609,328	497,957	437,531	1,669,754
19.3, 19.4 Commercial auto liability	1,587,005	652,044	744,964	1,494,085
21. Auto physical damage	1,909,312	617,254	608,090	1,918,476
22. Aircraft (all perils)				
23. Fidelity	74,971	44,143	49,602	69,512
24. Surety	373,422	229,115	233,116	369,421
26. Burglary and theft	476	253	226	503
27. Boiler and machinery	(9)			(9)
28. Credit				
29. International				
30. Reinsurance - Nonproportional Assumed Property				
31. Reinsurance - Nonproportional Assumed Liability				
32. Reinsurance - Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	14,244,554	5,765,491	6,229,834	13,780,211
DETAILS OF WRITE-INS				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)				

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 Columns 1 + 2 + 3 + 4
1. Fire	68,751				68,751
2. Allied lines	68,343	57			68,400
3. Farmowners multiple peril	2,843				2,843
4. Homeowners multiple peril	811,607	4			811,611
5. Commercial multiple peril	1,409,386	139			1,409,525
6. Mortgage guaranty					
8. Ocean marine	1				1
9. Inland marine	171,134	1,222			172,356
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	17,427				17,427
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	582,515	25,359			607,874
17.1 Other liability - occurrence	949,293	9,532			958,825
17.2 Other liability - claims-made	6,053	61			6,114
18.1 Products liability - occurrence	32,573	1			32,574
18.2 Products liability - claims-made	2				2
19.1, 19.2 Private passenger auto liability	437,076	455			437,531
19.3, 19.4 Commercial auto liability	732,705	12,259			744,964
21. Auto physical damage	606,824	1,266			608,090
22. Aircraft (all perils)					
23. Fidelity	19,037	30,565			49,602
24. Surety	80,380	152,736			233,116
26. Burglary and theft	226				226
27. Boiler and machinery					
28. Credit					
29. International					
30. Reinsurance - Nonproportional Assumed Property					
31. Reinsurance - Nonproportional Assumed Liability					
32. Reinsurance - Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	5,996,176	233,656			6,229,832
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through Line 36)					6,229,832
DETAILS OF WRITE-INS					
3301.					
3302.					
3303.					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)					

(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. Monthly Pro-rata

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 Columns 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire		126,446				126,446
2. Allied lines		128,100				128,100
3. Farmowners multiple peril		16,246				16,246
4. Homeowners multiple peril		1,507,226				1,507,226
5. Commercial multiple peril		2,854,387				2,854,387
6. Mortgage guaranty						
8. Ocean marine		244				244
9. Inland marine		374,353				374,353
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake		31,708				31,708
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	20,805,133	1,439,056		19,824,374	980,759	1,439,056
17.1 Other liability - occurrence		2,130,109				2,130,109
17.2 Other liability - claims-made		11,189				11,189
18.1 Products liability - occurrence		70,997				70,997
18.2 Products liability - claims-made		(12)				(12)
19.1, 19.2 Private passenger auto liability	631,701	1,609,328		624,936	6,765	1,609,328
19.3, 19.4 Commercial auto liability		1,587,005				1,587,005
21. Auto physical damage	421,848	1,909,312		421,848		1,909,312
22. Aircraft (all perils)						
23. Fidelity		74,971				74,971
24. Surety		373,422				373,422
26. Burglary and theft		476				476
27. Boiler and machinery		(9)				(9)
28. Credit						
29. International						
30. Reinsurance - Nonproportional Assumed Property	XXX					
31. Reinsurance - Nonproportional Assumed Liability	XXX					
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX					
33. Aggregate write-ins for other lines of business						
34. TOTALS	21,858,682	14,244,554		20,871,158	987,524	14,244,554
DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)						

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

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE OHIO SECURITY INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A Column 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Column 4 plus 5 minus 6)	8 Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 plus 2 minus 3)				
1. Fire		68,176	(2)	68,178	22,741	20,826	70,093	52.8
2. Allied lines		91,524	59	91,465	28,840	33,363	86,942	67.1
3. Farmowners multiple peril		39,633		39,633	11,963	17,123	34,473	90.0
4. Homeowners multiple peril		1,123,608	(291)	1,123,899	535,452	554,245	1,105,106	72.2
5. Commercial multiple peril		1,108,242	(11,137)	1,119,379	2,043,264	1,919,534	1,243,109	46.8
6. Mortgage guaranty								
8. Ocean marine		202		202	126	410	(82)	(9.3)
9. Inland marine		114,263		114,263	42,755	41,448	115,570	31.4
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims-made								
12. Earthquake		1		1	2,183	1,544	640	2.0
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		213		213			213	
16. Workers' compensation	4,245,620	1,067,892	4,237,071	1,076,441	4,553,386	4,528,010	1,101,817	76.8
17.1 Other liability - occurrence		494,253	(5,660)	499,913	2,390,629	1,786,484	1,104,058	59.3
17.2 Other liability - claims-made		3,165		3,165	15,721	6,850	12,036	117.1
18.1 Products liability - occurrence		31,987	(16,689)	48,676	99,556	63,154	85,078	126.7
18.2 Products liability - claims-made					(2)	1	(3)	23.1
19.1, 19.2 Private passenger auto liability	1,152,275	1,307,016	1,151,853	1,307,438	1,753,193	1,864,406	1,196,225	71.6
19.3, 19.4 Commercial auto liability		790,562	(485)	791,047	1,813,218	1,566,619	1,037,646	69.5
21. Auto physical damage	332,211	997,255	332,340	997,126	2,861	33,288	966,699	50.4
22. Aircraft (all perils)								
23. Fidelity		11,380	10	11,370	28,440	24,091	15,719	22.6
24. Surety		42,160	(42)	42,202	63,800	40,248	65,754	17.8
26. Burglary and theft		4		4	34	33	5	1.0
27. Boiler and machinery		8		8	(25)	50	(67)	744.4
28. Credit								
29. International								
30. Reinsurance- Nonproportional Assumed Property	X X X							
31. Reinsurance- Nonproportional Assumed Liability	X X X							
32. Reinsurance- Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	5,730,106	7,291,544	5,687,027	7,334,623	13,408,135	12,501,727	8,241,031	59.8
DETAILS OF WRITE-INS								
3301								
3302								
3303								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)								

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE OHIO SECURITY INSURANCE COMPANY

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 (Columns 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 (Columns 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		12,627		12,627		10,114		22,741	5,534
2. Allied lines		24,214		24,214		4,626		28,840	8,368
3. Farmowners multiple peril		10,323		10,323		1,640		11,963	2,562
4. Homeowners multiple peril		359,971		359,971		175,481		535,452	118,265
5. Commercial multiple peril		967,865		967,865		1,075,399		2,043,264	835,854
6. Mortgage guaranty									
8. Ocean marine		65		65		61		126	16
9. Inland marine		23,172		23,172		19,583		42,755	9,423
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims-made									
12. Earthquake		20		20		2,163		2,183	370
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	4,933,121	2,265,181	4,933,121	2,265,181	11,543,091	2,288,205	11,543,091	4,553,386	654,030
17.1 Other liability - occurrence		578,962		578,962		1,811,667		2,390,629	892,733
17.2 Other liability - claims-made		8,143		8,143		7,578		15,721	4,622
18.1 Products liability - occurrence		48,036		48,036		51,520		99,556	53,567
18.2 Products liability - claims-made						(2)		(2)	(1)
19.1, 19.2 Private passenger auto liability	1,096,551	1,243,619	1,096,551	1,243,619	465,954	509,492	465,872	1,753,193	387,536
19.3, 19.4 Commercial auto liability		814,715		814,715		998,504		1,813,219	343,474
21. Auto physical damage	19,792	95,633	19,792	95,633	(40,298)	(92,772)	(40,298)	2,861	58,121
22. Aircraft (all perils)									
23. Fidelity		27,542		27,542		898		28,440	17,095
24. Surety		61,615		61,615		2,185		63,800	27,693
26. Burglary and theft						34		34	23
27. Boiler and machinery		(25)		(25)				(25)	
28. Credit									
29. International									
30. Reinsurance- Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance- Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance- Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	6,049,464	6,541,678	6,049,464	6,541,678	11,968,747	6,866,376	11,968,665	13,408,136	3,419,285
DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)									

(a) Including \$ 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	876,396			876,396
1.2 Reinsurance assumed	987,810			987,810
1.3 Reinsurance ceded	876,396			876,396
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	987,810			987,810
2. Commission and brokerage:				
2.1 Direct excluding contingent		1,373,862		1,373,862
2.2 Reinsurance assumed excluding contingent		2,186,138		2,186,138
2.3 Reinsurance ceded excluding contingent		1,373,862		1,373,862
2.4 Contingent - direct		409,273		409,273
2.5 Contingent - reinsurance assumed		358,366		358,366
2.6 Contingent - reinsurance ceded		409,273		409,273
2.7 Policy and membership fees		222		222
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		2,544,726		2,544,726
3. Allowances to manager and agents		24,019		24,019
4. Advertising		9,114		9,114
5. Boards, bureaus and associations		57,888		57,888
6. Surveys and underwriting reports		44,263		44,263
7. Audit of assureds' records		11,737		11,737
8. Salary and related items:				
8.1 Salaries	706,006	855,486	15,462	1,576,954
8.2 Payroll taxes	57,254	62,572	1,114	120,940
9. Employee relations and welfare	126,638	171,080	2,027	299,745
10. Insurance	8,521	13,092	590	22,203
11. Directors' fees	2,967	2,014	206	5,187
12. Travel and travel items	30,619	64,231	629	95,479
13. Rent and rent items	54,605	80,490	886	135,981
14. Equipment	54,430	216,462	754	271,646
15. Cost or Depreciation of EDP equipment and software	20,957	89,720	4,028	114,705
16. Printing and stationery	12,448	23,261	144	35,853
17. Postage, telephone and telegraph, exchange and express	39,696	93,293	181	133,170
18. Legal and auditing	3,652	89,947	22,395	115,994
19. Totals (Lines 3 to 18)	1,117,793	1,908,669	48,416	3,074,878
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 10,967		392,974		392,974
20.2 Insurance department licenses and fees		22,411		22,411
20.3 Gross guaranty association assessments		32,576		32,576
20.4 All other (excluding federal and foreign income and real estate)		20,919		20,919
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		468,880		468,880
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	412	791		1,203
25. Total expenses incurred	2,106,015	4,923,066	48,416	(a) 7,077,497
26. Less unpaid expenses - current year	3,419,286	970,864		4,390,150
27. Add unpaid expenses - prior year	2,895,959	810,968		3,706,927
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,582,688	4,763,171	48,416	6,394,275
DETAILS OF WRITE-INS				
2401. Donations	412	791		1,203
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above)	412	791		1,203

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

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 188,268	156,069
1.1 Bonds exempt from U. S. tax	(a) 68,371	88,704
1.2 Other bonds (unaffiliated)	(a) 3,536,120	3,459,369
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		9,200
2.21 Common stocks of affiliates		9,200
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e) 37,005	37,005
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	87	87
10. Total gross investment income	3,839,051	3,750,434
11. Investment expenses		(g) 48,416
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)
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		48,416
17. Net investment income (Line 10 minus Line 16)		3,702,018
DETAILS OF WRITE-INS		
0901. Other Interest	87	87
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903 plus Line 0998) (Line 9 above)	87	87
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ 106,188 accrual of discount less \$ 119,219 amortization of premium and less \$ 70,164 paid for accrued interest on purchases.	(f) Includes \$ accrual of discount less \$ amortization of premium.	
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.	(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(h) Includes \$ interest on surplus notes and \$ interest on capital notes.	
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.	(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.	
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1. U. S. Government bonds					
1.1 Bonds exempt from U. S. tax					
1.2 Other bonds (unaffiliated)	(818,064)		(211,394)		(1,029,458)
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)			(276,680)		(276,680)
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash/short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(818,064)		(488,074)		(1,306,138)
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903 plus Line 0998) (Line 9 above)					

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, Line 10 to Line 17 and Line 19 to Line 23, Column 2	97,502	217,665	120,163
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Furniture, equipment and supplies			
2.3 Leasehold improvements			
2.4 Loans on personal security, endorsed or not			
3. Total (Line 2.1 to Line 2.4)			
4. Aggregate write-ins for other assets	21,189	55,451	34,262
5. Total (Line 1 plus Line 3 and Line 4)	118,691	273,116	154,425
DETAILS OF WRITE-INS			
0401. Nonadmitted Pension Asset	20,982	55,244	34,262
0402. Prepaid Fees	207	207	
0403.			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. Totals (Line 0401 through Line 0403 plus Line 0498) (Line 4 above)	21,189	55,451	34,262

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Ohio Security Insurance Company (Ohio Security) have been prepared on the basis of accounting practices prescribed or permitted by the Ohio Insurance Department.

The Ohio Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and 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, version effective January 1, 2001, (NAIC SAP) 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 revenues and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policies

Property and casualty insurance premiums are earned principally on a monthly pro rata basis over the term of the policy; the premiums applicable to the unexpired terms of the policies are included in the unearned premium reserve.

Acquisition costs incurred at policy issuance, such as commissions, are charged to operations in the year in which they are incurred.

In addition, Ohio Security uses the following accounting policies:

- (1) Not applicable
- (2) Bonds are generally carried at amortized cost or prescribed NAIC values. Bonds are amortized using the effective interest method.
- (3) Common stocks are stated at market value as prescribed by the NAIC.
- (4) Not applicable.
- (5) Not applicable.
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Ohio Security anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property - Casualty Contracts - Premiums.
- (11) Reserves for unpaid losses and loss adjustment expenses are based on estimates of ultimate claim costs without discounting, including claims incurred but not reported, salvage and subrogation and inflation. Such liabilities are based on assumptions and estimates which management believes are adequate, but the ultimate liability may differ from the amount provided. The methods of making such estimates are continually reviewed and updated, any resulting adjustments are reflected in current earnings. In December 2001, the company recorded salvage and subrogation recoverable as direct business, rather than as previously recorded as assumed business.

2. Accounting Changes and Corrections of Errors

A. Accounting Changes Other than Codification and Correction of Errors

Ohio Casualty sponsors a non-contributory defined benefit pension plan covering substantially all employees. The 2001 net periodic pension benefit was recorded in 2001 as \$5.5 million but should have been recorded as \$2.0 million. The cause of the incorrect amount in 2001 was due to incorrect assumptions by Ohio Casualty's pension actuary. In accordance with SSAP 3, Paragraph 10, the 2001 net periodic pension benefit was corrected as an adjustment to surplus in 2002. Due to their participation in the intercompany reinsurance pooling agreement, Ohio Security's surplus decreased by \$35,600.

B. Accounting Changes as a Result of Codification

Ohio Security 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 insurance companies domiciled in the State of Ohio to 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 State of Ohio Insurance Commissioner.

Accounting changes adopted to conform with the provisions of the NAIC Accounting Practices and Procedures manual - Version effective January 1, 2001 are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year 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, Ohio Security reported a change in accounting principle from the adoption of Codification that increased unassigned funds (surplus) by \$.6 million as of January 1, 2001.

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable.

B. Statutory Merger

Not applicable.

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

A. Mortgage Loans

Not applicable.

B. Troubled Debt Restructuring for Creditors

Not applicable.

C. Reverse Mortgages

Not applicable.

D. Loan-Backed Securities

1. Ohio Security has elected to use historical cost for applying the retrospective adjustment method to securities.

2. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or internal estimates.

3. Ohio Security used fair value provided by brokers and pricing services to determine the market value of its loan backed-securities.

4. Ohio Security had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements.

Not applicable.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets

Not applicable.

B. Writedowns for Impairments

Not applicable.

7. Investment Income

A. Accrued Investment Income

The Company nonadmits investment income due and accrued if amounts are over 90 days past due (180 days for mortgage loans or amounts on mortgage loans in default).

B. Amounts Nonadmitted

Not applicable.

8. Derivative Instruments

Not applicable.

9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 areas follows:

	2002	2001
(1) Total of all deferred tax assets (admitted and nonadmitted)	\$3,220,298	\$3,161,923
(2) Total of all deferred tax liabilities	(364,715)	(369,682)
(3) Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	0	0
(4) Increase (decrease) in deferred tax assets nonadmitted	N/A	N/A

B. Deferred tax liabilities are not recognized for the following amounts:

- (1) As of December 31, Ohio Security had a balance of \$N/A in its Policyholder Surplus account under the provisions of the Internal Revenue Code. This amount could become taxable to the extent that future shareholder dividends are paid from this account.
- (2) As of December 31, Ohio Security had investments in certain foreign subsidiaries whose reporting basis exceeded tax basis by \$N/A. This amount could become taxable in the event of a sale or dissolution of one or more subsidiaries.

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

	2002	2001
1. Current year tax expenses	\$405,452	\$ 676,022
2. Tax credits	0	0
3. Current year equity tax	0	0
4. Prior Year overaccrual of tax reserves	(106,817)	1,725,572
5. Current income taxes incurred	\$ 298,635	\$2,401,594

NOTES TO FINANCIAL STATEMENTS

The changes in main components of DTAs and DTLs are as follows:

	2002	2001	Change
DTAs resulting from book/tax differences in			
15. Reserves-Loss Res., UPR, S&S	\$ 425,162	\$ 463,430	\$(38,269)
16. Employee Benefits	77,542	22,322	55,220
17. Tax Credits	2,515,800	2,515,800	0
28. Basis Difference on Invested Assets	98,376	89,252	9,123
19. Other Non-deductible Accruals	39,829	29,999	9,830
20. Basis Difference on Depreciable Assets	15,315	2,279	13,036
21. Replacement Carrier Fee	0	0	0
22. Tax Benefit on NOLC/F	0	0	0
23. Other DTAs	48,275	38,841	9,435
24. Total DTAs	3,220,298	3,161,923	58,375
25. DTAs nonadmitted	0	0	0

	2002	2001	Change
DTLs resulting from book/tax differences in			
26. Bonds & Stocks-Unrealized Gain/Loss	\$ 38,247	\$147,810	\$(109,563)
27. Amortization	17,207	0	17,207
28. Basis Difference on Invested Assets	0	0	0
29. Other Deductible Accruals	99,993	65,650	34,343
30. Other DTLs	209,267	156,222	53,045
31. Total DTLs	364,715	369,682	(4,967)

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

	Amount	Tax Effect
1. Income before taxes	\$1,310,092	\$458,510
2. Tax exempt interest	(88,704)	(31,046)
3. Dividends received deduction	(6,440)	(2,254)
4. Proration	14,378	5,032
5. Goodwill Amortization	(220,838)	(77,293)
6. Book over Tax Reserves	214,610	75,113
7. Tax over Book Capital Gain	(178,856)	(62,600)
8. Basis Difference in Invested Assets	86,765	30,368
9. Workers' Compensation Dividends	(94,362)	(33,027)
10. Employee Benefits	79,206	27,722
11. Depreciation/Amortization	(8,700)	(3,045)
12. Replacement Carrier Fee	0	0
13. Non-deductible Accruals	(4,235)	(1,482)
14. Other Deductions/Income	55,577	19,452
15. AMT Credit Generated	0	0
16. NOL Carryforward	0	0
17. Other	0	(106,816)
18. Taxable Income	1,158,430	298,635

E. (1) At December 31, 2002, Ohio Security has \$0 of operating loss carry forwards originating in 2000 which expire, if unused, in year 2020.

(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	\$405,452	1999	\$2,432,432
2001	\$569,212	1998	\$83,368
2000	\$0	1997	\$560,124

F. (1) Ohio Security's Federal income tax return is consolidated with the following entities:

Ohio Casualty Corporation
Hamilton Graphics
Ocasco Budget, Inc.
Ocasco Securities Corporation
Ohio Life Brokerage Services, Inc.
Ohio Casualty Insurance Company
West American Insurance Company
American Fire and Casualty Company
Avomark Insurance Company
Ohio Casualty of New Jersey, Inc.

(2) The method of allocation between the companies is subject to written agreement approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses providing those losses are utilized on consolidated basis. Intercompany tax balances are settled within 90 days after the payment of each estimated deposit of consolidated tax liability (or Alternative Minimum Tax).

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationship

Ohio Security is wholly owned by The Ohio Casualty Insurance Company, an Ohio insurance company, which is wholly owned by the Ohio Casualty Corporation, an Ohio insurance holding company.

B. Detail of Transactions Greater than 1/2% of Admitted Assets

Significant transactions with affiliates consist of reimbursements of direct operating costs and allocations of costs which are in accordance with SSAP #70 in the amount of \$3,716,842. In addition, dividends of \$3,000,000 were paid to Ohio Casualty Insurance Company in 2002.

C. Change in Terms of Intercompany Arrangements

Not applicable.

NOTES TO FINANCIAL STATEMENTS

D. Amounts Due to or from Related Parties

At December 31, 2002 Ohio Security reported \$1,326,156 due from Ohio Casualty, its parent, under terms of the intercompany arrangements. These arrangements require that intercompany balances be settled within 30 days.

E. Guarantees or contingencies for Related Parties

Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements

Ohio Security is a party to an Administrative Services Agreement that provides that Ohio Casualty shall act as the employer for all employees. Reimbursement to Ohio Casualty for services shall be solely for actual costs and expenses which it incurs in providing such services.

G. Nature of Relationships that Could Affect Operations

All outstanding shares of Ohio Security are owned by Ohio Casualty.

H. Amount Deducted for Investment in Upstream Company

Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

Not applicable.

J. Writedown for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies

Not applicable.

11. Debt

A. Capital Notes

Not applicable.

B. All Other Debt

Not applicable.

12. Retirement Plans, Deferred Compensation, and Other Postretirement Benefit Plans

A. Defined Benefit Plans

The parent, Ohio Casualty Insurance Company, sponsors a non-contributory defined benefit pension plan and a postretirement health care benefit plan covering substantially all employees of Ohio Security. See Note 12D.

B. Defined Contribution Plans

The parent, Ohio Casualty Insurance Company, sponsors a defined contribution savings plan covering substantially all employees of Ohio Security. See Note 12D.

C. Multi-employer Plans

Not applicable.

D. Consolidated/Holding Company Plans

Ohio Casualty sponsors a non-contributory defined benefit pension plan covering substantially all Ohio Security employees. Pension benefits are based on service years and average compensation using the five highest consecutive years of earnings in the last decade of employment. Ohio Security has no legal obligation for benefits under this plan.

Ohio Casualty sponsors a postretirement health care benefit plan covering substantially all employees of Ohio Security who reach retirement age while working for the company. Ohio Casualty makes contributions to this plan as claims are incurred. Ohio Security has no legal obligation for benefits under this plan.

Ohio Casualty sponsors a defined contribution savings plan covering substantially all employees of Ohio Security. Employees may contribute up to 32% of salary to the plan, of which, the first 6% is subject to a 50% match by Ohio Casualty. Ohio Casualty's match is funded monthly and is allocated to the company based on the Administrative Services Agreement. The company's share of this savings plan expense was \$71,900 and \$19,000 for 2001 and 2000, respectively. Ohio Security has no legal obligation for benefits under this plan.

E. Postemployment Benefits and Compensated Absences

Ohio Security has no obligation to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

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

A. Outstanding Shares

Ohio Security has 49,999 shares of \$70.01 par value common stock authorized and 49,999 shares issued and outstanding. Ohio Security has no preferred stock authorized, issued or outstanding.

B. Dividend Rate of Preferred Stock

Not applicable.

C., D., and E. Dividend Restrictions

The maximum amount of dividends to shareholders which maybe paid by Ohio Security without prior approval of the Ohio Insurance Commissioner cannot exceed in any one year the greater of ten percent of the surplus as regards to policyholders as of December 31, or the net income

NOTES TO FINANCIAL STATEMENTS

provided such dividend does not impair capital or capital stock. At December 31, 2002, approximately \$3,416,422 was available for payment of dividends without prior approval of the Ohio Insurance Department. Dividends declared and paid in 2002 amounted to \$3,000,000. Dividends are not cumulative.

F. Mutual Surplus Advances

Not applicable.

G. Company Stock Held for Special Purposes

Not applicable.

H. Changes in Special Surplus Funds

Not applicable.

I. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Description	Cumulative Increase (Decrease) in Surplus
Net income	\$38,321,380
Nonadmitted assets	276,335
Excess statutory over statement reserves	(258,777)
Cash dividends to stockholders	(6,702,426)
Cumulative effect of change in principles-Codification	608,398
Acquisition expenses for block of business purchased	(3,550,430)
Salvage and subrogation	370,728
Unrealized capital gains gross	2,853,984
Unrealized capital losses gross	(3,065,079)
Change in net deferred income tax	2,036,028
Increase in par value	(500,000)
Transfer to paid in from surplus	(1,030,129)
Miscellaneous	(130,790)
Provision for reinsurance	(65,000)
	<u>\$29,164,223</u>

J. Surplus Notes

Not applicable.

K. and L. Quasi Reorganizations

Not applicable.

14. Contingent Liabilities

A. Contingent Commitments

The company has purchased annuities from life insurers under which the claimants are payees. These annuities have been used to reduce unpaid losses by \$331,878 as of December 31, 2002. The company has a contingent liability of \$331,878 should the issuers of these annuities fail to perform under the terms of the annuities.

The company has no commitments or contingent commitments to affiliates or other entities. As indicated in Note 10E, the company has made no guarantees on behalf of affiliates.

B. Guaranty Fund and Other Assessments

The company is subjected to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses are incurred.

The company has accrued a liability for guaranty fund and other assessments of \$31,510. These represent management's best estimates based on information received from the states in which the company writes business and may change due to many factors including the company's share of the ultimate cost of current insolvencies.

C. Gain Contingencies

Not applicable.

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

A. Lessee Leasing Arrangements

Not applicable.

B. Lessor Leasing Arrangements

Not applicable.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk

Not applicable.

NOTES TO FINANCIAL STATEMENTS

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A. Transfer of Receivables Reported as Sales
Not applicable.
- B. Transfers and Servicing of Financial Assets
Not applicable.
- C. Wash Sales
Not applicable.
18. Gain or Loss to the Insurer from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans
Not applicable.
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
Not applicable.
20. Other Items
- A. Extraordinary Items
Not applicable.
- B. Troubled Debt Restructuring for Debtors
Not applicable.
- C. Other Disclosures
Assets in the amount of \$4,764,503 and \$4,727,492 at December 31, 2002 and 2001, respectively, were on deposit with government authorities or trustees as required by law.
- D. Uncollectible Premiums Receivable
At December 31, 2002 and 2001, the company had admitted assets of \$3,264,272 and \$2,843,663, respectively in premiums receivable due from policyholders, agents and ceding insurers. The company routinely assesses the collectibility of these receivables. Based upon company experience, any uncollectible premiums receivable as of December 31, 2002 are not expected to exceed the nonadmitted amounts totaling \$97,502 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the company's financial condition.
- E. Reinsurance Accounted for as a Deposit
Not applicable.
- F. Multiple Peril Crop Insurance
Not applicable.
- G. Mezzanine Real Estate Loans
Not applicable.
- H. Health Care Receivables
Not applicable.
- I. September 11 Events
No losses were incurred as a result of the terrorist attacks of September 11, 2001.
- J. Schedule P Interrogatories, Page 107, Item 7.2 explanation.
In December 1992, The Ohio Casualty Group stopped writing business in California and filed a withdrawal plan with the California Department of Insurance. Under the terms of the plan, The Ohio Casualty Insurance Company, Ohio Security Insurance Company and West American Insurance Company would withdraw from California leaving American Fire and Casualty Company to close the affairs of the Group. Also, the plan required the withdrawing companies to transfer their California liabilities to American Fire and Casualty along with assets to secure those liabilities. The final approval was given by the California Department of Insurance on April 12, 1995, and the transfer of assets and liabilities took place as of May 1, 1995. Therefore, the existing pooling agreement is applied net of California premiums and losses. Ohio Casualty of New Jersey entered a retroactive and prospective reinsurance agreement with affiliates Ohio Casualty and West American Insurance Companies in 1998 to assume all policies and reserves for New Jersey private passenger auto business.
Data throughout this schedule has been restated to reflect the current pooling percentage. This percentage was most recently changed in 1998.
Until 1999, loss reserves had been reported gross of anticipated salvage and subrogation. 1999 and subsequent reserves, however, are reported net of anticipated salvage and subrogation, impacting the development displayed in the latest two calendar years.
21. Events Subsequent
Not applicable.
22. Reinsurance
- A. Unsecured Reinsurance Recoverables
Not applicable

NOTES TO FINANCIAL STATEMENTS

B. Reinsurance Recoverable in Dispute

Not applicable.

C. Reinsurance Assumed and Ceded

1. The maximum amount of return commission which would have been due reinsurers if they or Ohio Security had cancelled all of the Company's reinsurance or if the Company or a receiver had cancelled all of Ohio Security's insurance assumed as of the end of the period covered by this annual statement with the return of the unearned premium reserve is as follows:

	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	Premium Reserve (1)	Commission Equity (2)	Premium Reserve (3)	Commission Equity (4)	Premium Reserve (5)	Commission Equity (6)
(i) Affiliates	\$6,229,832	\$ 0	\$9,324,913	\$ 0	\$(3,095,080)	\$ 0
(ii) All Other	0	0	463,293	4,429	(463,293)	4,429
(iii) TOTAL	6,229,832	0	9,788,206	4,429	(3,558,373)	4,429
(iv) Direct Unearned Premium Reserve		\$9,788,206				

2. Additional or return commission, predicted 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:

	REINSURANCE			
	Direct (1)	Assumed (2)	Ceded (3)	Net (4)
(i) Contingent Commission	\$351,000	\$289,010	\$351,000	\$289,010
(ii) Sliding Scale Adjustments	0	0	0	0
(iii) Other Profit Commission Arrangements	30,000	20,694	30,000	20,694
(iv) TOTAL	\$381,000	\$309,704	\$381,000	\$309,704

All contracts of reinsurance covering losses that have occurred prior to the inception of the contract have been accounted for in conformity with the instructions contained in the NAIC Accounting Practices and Procedures Manual.

D. Uncollectible Reinsurance

Not applicable.

E. Computation of Ceded Reinsurance

Not applicable.

F. Retroactive Reinsurance

The amounts reported reflect the pooling participation for each company in the Ohio Casualty Insurance Pool.

	Reported Company	
	(1) Assumed	(2) Ceded
As:		
1. Reserves Transferred:		
a. Initial Reserves	\$ 5,084,031	\$ 0
b. Adjustments-Prior Year(s)	(2,898,169)	0
c. Adjustments-Current Year	(397,117)	0
d. Current Total	1,788,745	0
2. Consideration Paid or Received		
a. Initial Consideration	5,084,031	\$ 0
b. Adjustments-Prior Year(s)	282,486	0
c. Adjustments-Current Year	0	0
d. Current Total	5,366,517	0
3. Paid Losses Reimbursed or Recovered		
a. Prior Year(s)	3,201,390	\$ 0
b. Current Year	422,939	0
c. Current Total	3,624,329	0

4. Special Surplus

Not applicable.

5. All cedents and reinsurers involved in all transactions included in summary totals above:

Company	Assumed	Company	Ceded
	Amount		Amount
Great American Insurance - 22039	\$1,788,745		\$ 0
Total	\$1,788,745		\$ 0

6. a. 90 Days Overdue

Not applicable.

b. All contracts of reinsurance covering losses that have occurred prior to the inception of the contract have been accounted for in conformity with the instructions contained in the NAIC Accounting Practices and Procedures manual, SSAP 62, except for the following:

Not applicable.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable.

NOTES TO FINANCIAL STATEMENTS

24. Change in Incurred Losses and Loss Adjustment Expenses

- A. The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years increased by \$692,000 during 2002, as shown in the chart below. This is less than 4.1% of unpaid losses and loss adjustment expenses of \$16,827,000 as of December 31, 2002. Over 62% of this increase occurred in the other liability line of business. Increases or decreases of this nature occur as the 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. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expense.

(000's omitted) (Lines of Business)	2002 Calendar Year Loss & LAE Incurred	2002 Loss Year Loss & LAE Incurred Sch P Part 1	Total Shortage (Redundancy)	Loss & DCC Shortage (Redundancy) Sch P Part 2	Impact of AO on Total Shortage (Redundancy)
Homeowners/farmowners Private passenger auto liability	\$1,252	\$1,259	\$ (7)	\$ 6	\$ (13)
Commercial auto liability	1,442	1,492	(45)	(25)	(20)
Workers' compensation	1,238	1,066	178	161	17
Commercial multiple peril	1,346	1,312	34	(43)	77
Special liability	1,641	1,597	44	35	9
Other liability - occurrence	0	0	0	0	0
Other liability - claim-made	1,621	1,194	427	336	91
Special property	14	13	1	1	0
Auto physical damage	311	307	4	(1)	5
Fidelity/Surety	1,202	1,230	(39)	(56)	17
Other	117	138	(22)	(27)	5
Products liability-occurrence	0	0	0	0	0
Products liability-claims-made	163	46	117	78	39
Totals	\$10,347	\$9,655	\$692	\$465	\$227

25. Intercompany Pooling Arrangements

Effective January 1, 1984 Ohio Casualty and its property and casualty insurance subsidiaries, American Fire, Ohio Security, and West American entered into a reinsurance pooling agreement. The purpose of this agreement is to pool or share proportionately among the parties the results of property and casualty insurance underwriting operations through reinsurance; to reduce administration and executive expense; and to produce for each party a broader distribution of risk by line of insurance. Under the terms of the Agreement all outstanding underwriting liabilities as of January 1, 1984 and all subsequent insurance transactions were pooled. As part of the withdrawal agreement with the State of California, all California loss reserves remain unpooled as a liability of American Fire.

Effective January 1, 1998 Avomark Insurance Company was added to the reinsurance pooling agreement. Effective November 30, 1998 Ohio Casualty of New Jersey (an unpooled affiliate of Ohio Casualty Group) assumed the pool's New Jersey private passenger auto policies and reserves. Each of the participating affiliates above, cedes 100% of their net business to Ohio Casualty excluding California business. The companies participate in the pooled results as follows:

Company	Naic Company Code	Percentage Share of Pooled Business
Ohio Casualty	24074	46.75%
West American	44393	46.75%
American Fire	24066	5.00%
Ohio Security	24082	1.00%
Avomark	10792	0.50%

26. Structured Settlements

A. Reserves Released due to Purchase of Annuities

The company has purchased annuities from life insurers under which the claimants are payees (See Note 14A). These annuities have been used to reduce unpaid losses by \$331,878 as of December 31, 2002. The company has contingent liability of \$331,878 should the issuers of these annuities fail to perform under the terms of the annuities.

b. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus

Not applicable.

27. High Deductibles

Not applicable.

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

Not applicable.

29. Asbestos/Environmental Reserves
(\$000 omitted)

A. Asbestos Reserves

Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to asbestos losses?
Yes (X) No ()

NOTES TO FINANCIAL STATEMENTS

If yes, describe the lines of business written for which there is potential exposure, the nature of the exposure or exposures and the company's methodology for reserving for both reported and IBNR losses, and complete the following information.

Commercial multi-peril and general liability are the lines of business for which there is potential exposure for asbestos losses. Adjustors estimate the reported losses. The company has analyzed incurred but not reported reserves for asbestos and environmental losses separately from all other losses. The company carries the incurred but not reported and loss adjustment expense reserves from this analysis.

For asbestos-related losses (including coverage dispute costs) for each of the five most current calendar years, provide the following:

	2002	2001	2000	1999	1998
Gross of Reinsurance:					
i. Beginning reserves:	\$318	\$159	\$104	\$104	\$ 70
ii. Incurred losses and LAE:	56	195	77	22	47
iii. Calendar yearpayments for losses and LAE:	16	37	21	22	13
iv. Ending reserves:	\$359	\$318	\$159	\$104	\$104
Net of Reinsurance:					
v. Beginning reserves:	\$294	\$135	\$ 96	\$104	\$ 70
vi. Incurred losses and LAE:	35	176	54	(6)	47
vii. Calendar yearpayments for losses and LAE:	49	17	14	2	13
viii. Ending reserves:	\$280	\$294	\$135	\$ 96	\$104

B. Ending Reserves for Asbestos Claims for Bulk and IBNR Losses and LAE included in A above:

i. Gross of Reinsurance Basis	\$239
ii. Net of Reinsurance Basis	\$239

C. Ending Reserves for Asbestos Claims for Loss Adjustment Expense included in A above (Case, Bulk and IBNR):

i. Gross of Reinsurance Basis	\$177
ii. Net of Reinsurance Basis	\$177

D. Environmental Reserves

Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to environmental losses?

Yes (X) No ()

	2002	2001	2000	1999	1998
Gross of Reinsurance:					
i. Beginning reserves:	\$217	\$269	\$315	\$315	\$332
ii. Incurred losses and LAE:	93	(17)	(29)	12	23
iii. Calendar year payments for losses and LAE:	26	35	17	12	39
iv. Ending reserves:	\$284	\$217	\$269	\$315	\$315
Net of Reinsurance:					
v. Beginning reserves:	\$197	\$269	\$315	\$315	\$332
vi. Incurred losses and LAE:	92	(38)	(30)	12	16
vii. Calendar year payments for losses and LAE:	27	34	17	12	32
viii. Ending reserves:	\$262	\$197	\$269	\$315	\$315

E. Ending Reserves for environmental Claims for Bulk and IBNR Losses and LAE included in A above:

i. Gross of Reinsurance Basis	\$235
ii. Net of Reinsurance Basis	\$235

F. Ending Reserves for Environmental Claims for Loss Adjustment Expenses included in D above (Case, Bulk and IBNR):

i. Gross of Reinsurance Basis	\$87
ii. Net of Reinsurance Basis	\$87

Environmental and Asbestos-Related Claims

Reserves for asbestos-related and toxic waste cleanup claims cannot be estimated with traditional loss reserving techniques. In establishing liabilities for claims for asbestos-related illnesses and for toxic waste cleanup claims, management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretations in the future, there is uncertainty regarding the extent of remediation. Accordingly, additional liability could develop. Included in loss and loss adjustment expense reserves at December 31, 2002, are \$541,087 in estimated environmental claims.

The retroactive reinsurance agreement with Great American Insurance Company is not included in the above note. The estimated loss and loss adjustment expense reserves for environmental claims from this transaction are \$94,100 at December 31, 2002.

30. Subscriber Savings Accounts

Not applicable.

31. Financial Guaranty Insurance Exposures

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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	2,385,237	4.410	2,385,237	4.410
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	1,007,098	1.862	1,007,098	1.862
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	1,059,960	1.960	1,059,960	1.960
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,042,865	1.928	1,042,865	1.928
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC	301,195	0.557	301,195	0.557
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC	2,469,310	4.565	2,469,310	4.565
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523 All other privately issued	5,616,693	10.384	5,616,693	10.384
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	34,674,094	64.103	34,674,094	64.103
2.2 Unaffiliated foreign securities	992,510	1.835	992,510	1.835
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	384,658	0.711	384,658	0.711
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (includes \$ of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	4,157,633	7.686	4,157,633	7.686
9. Other invested assets				
10. Total invested assets	54,091,253	100.000	54,091,253	100.000

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, 1300 Chiquita Center
250 E. 5th Street Cincinnati, OH 45202
- 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?
Thomas P. Conway ACAS, MAAA 111 North Canal Street
Ernst & Young LLP Chicago, IL 60606

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 (X)

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 \$
 - 14.12 To stockholders not officers \$
 - 14.13 Trustees, supreme or grand (Fraternal only) \$
- 14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
 - 14.21 To directors or other officers \$
 - 14.22 To stockholders not officers \$
 - 14.23 Trustees, supreme or grand (Fraternal only) \$
- 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 \$
 - 15.22 Borrowed from others \$
 - 15.23 Leased from others \$
 - 15.24 Other \$

Disclose in Notes to Financial Statements 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 \$
 - 16.22 Amount paid as expenses \$
 - 16.23 Other amounts paid \$

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	49,999	49,999	70.01	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 the 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	\$
	19.22 Subject to repurchase agreements	\$
	19.23 Subject to reverse repurchase agreements	\$
	19.24 Subject to dollar repurchase agreements	\$
	19.25 Subject to reverse dollar repurchase agreements	\$
	19.26 Pledged as collateral	\$
	19.27 Placed under option agreements	\$
	19.28 Letter stock or securities restricted as to sale	\$
	19.29 Other	\$

19.3 For each category above, if any of these assets are held by other, 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. \$

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
J.P. Morgan Chase	4 New York Plaza New York, NY 10004
Wachovia	21 South Street Morristown, NJ 07960
U.S. Bank	425 Walnut Street Cincinnati, OH 45202

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 (X) No ()

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
First Union	Wachovia	06/30/2002	Name Change
Firststar	U.S. Bank	02/28/2002	Name Change

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? \$ 70,780

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
NCCI, Inc	\$ 20,933
Pennsylvania Compensation Rating Bureau	\$ 21,133
	\$
	\$

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

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
	\$
	\$
	\$
	\$

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

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 department of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$

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. \$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
- 1.31 Reason for excluding:

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Line (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$
- 1.62 Total incurred claims \$
- 1.63 Number of covered lives
- All years prior to most current three years:
- 1.64 Total premium earned \$
- 1.65 Total incurred claims \$
- 1.66 Number of covered lives
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$
- 1.72 Total incurred claims \$
- 1.73 Number of covered lives
- All years prior to most current three years:
- 1.74 Total premium earned \$
- 1.75 Total incurred claims \$
- 1.76 Number of covered lives
- 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 \$ 492,130
- 2.22 Non-participating policies \$ 19,297,551
3. For Mutual Reporting Entities and Reciprocal Exchange only:
- 3.1 Does the reporting entity issue assessable policies? Yes () No ()
- 3.2 Does the reporting entity issue non-assessable policies? Yes () No ()
- 3.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %
- 3.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$
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 (X)
- 4.22 As a direct expense of the exchange Yes () No () N/A (X)
- 4.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

- 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.

- 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 reins covers \$5M excess \$1M ea loss. Worker' Comp cat reins covers \$54M excess \$6M ea loss.

- 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:
 Risk Mgmt Solution, Inc. est countrywide PML. Exposures included earthquake, hurricane, tornado and hail.

- 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 maximum property insurance loss?
 Cat Reins covers 150M x 25M (per occurrence)

- 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 unreinsured catastrophic loss.

- 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 reinsurers's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio 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

- 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 the 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 charged on account of such reinsurances a reserve equal to that which the original reporting 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 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 | \$ |
| 10.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ |
- 10.2 Of the amount on Line 10.3 of the assets schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds. \$
- 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 () N/A (X)
- 10.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | |
|------------|---------|
| 10.41 From | % |
| 10.42 To | % |
- 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 the 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 | \$ |
| 10.62 Collateral and other funds | \$ |
- 11.1 What amount of installment notes is owned and now held by the reporting entity? \$
- 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 (X)
- 11.3 If yes, what amount? \$
- 12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 10,000
- 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 the amount. 4
- 13.1 Has the reporting entity guaranteed any financial 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 involved | |
| 14.13 Total book/adjusted carrying value | \$ |
- 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, Columns 1, 2 and 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	28,284,506	22,505,520	16,822,275	13,170,690	9,226,108
2. Property lines (Lines 1, 2, 9, 12, 21 and 26)	2,992,243	3,690,576	4,622,711	6,745,650	4,320,316
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	4,378,094	4,064,284	4,097,945	4,125,088	3,762,798
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33)	448,393	382,159	369,682	365,308	367,319
5. Nonproportional reinsurance lines (Lines 30, 31 and 32)					
6. Total (Line 34)	36,103,236	30,642,539	25,912,613	24,406,736	17,676,541
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	6,847,672	6,437,961	6,704,584	7,142,089	6,663,750
8. Property lines (Lines 1, 2, 9, 12, 21 and 26)	2,570,395	2,633,745	2,896,306	2,994,286	3,065,381
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	4,378,094	4,064,284	4,097,945	4,125,088	3,762,798
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33)	448,393	382,159	369,682	365,308	367,319
11. Nonproportional reinsurance lines (Line 30, 31 and 32)					
12. Total (Line 34)	14,244,554	13,518,149	14,068,517	14,626,771	13,859,248
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(1,489,898)	(1,196,224)	(2,687,518)	(1,787,035)	(809,821)
14. Net investment gain (loss) (Line 11)	2,883,954	4,014,244	3,823,700	3,224,031	2,999,684
15. Total other income (Line 15)	(122,713)	(352,808)	(1,939)	(109,944)	(30,270)
16. Dividends to policyholders (Line 17)	(38,683)	(7,163)	100,738	113,187	40,163
17. Federal and foreign income taxes incurred (Line 19)	298,635	2,401,594	(1,372,457)	53,115	357,061
18. Net income (Line 20)	1,011,391	70,781	2,405,962	1,160,750	1,762,369
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Column 3)	62,346,600	64,041,825	64,420,546	61,725,483	60,719,334
20. Agents' balances or uncollected premiums (Page 2, Column 3)					
20.1 In course of collection (Line 10.1)	3,264,272	2,843,664	3,148,032	3,382,299	3,161,220
20.2 Deferred and not yet due (Line 10.2)	14,566	20,038	2,934	3,882	5,274
20.3 Accrued retrospective premiums (Line 10.3)					
21. Total liabilities excluding Protected Cell (Page 3, Line 24)	28,182,376	27,518,069	27,393,836	27,242,944	27,594,650
22. Losses (Page 3, Line 1 and Line 2)	13,408,133	12,501,729	11,760,373	10,154,942	9,326,503
23. Loss adjustment expenses (Page 3, Line 3)	3,419,286	2,895,959	2,653,711	2,254,120	2,130,471
24. Unearned premiums (Page 3, Line 9)	6,229,832	5,765,491	6,134,636	6,433,607	6,232,064
25. Capital paid up (Page 3, Line 28 and Line 29)	3,500,430	3,500,430	3,500,430	3,500,430	1,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	34,164,223	36,523,754	37,026,709	34,482,540	33,124,684
Risk-Based Capital Analysis					
27. Total adjusted capital	34,164,223	36,523,754	37,026,709	34,482,540	33,124,684
28. Authorized control level risk-based capital	1,566,134	1,404,709	1,442,586	1,427,816	1,206,797
Percentage Distribution of Cash and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 9, Column 3) x 100.0					
29. Bonds (Line 1)	91.6	98.0	83.6	93.3	96.8
30. Stocks (Line 2.1 and Line 2.2)	0.7	1.2	0.8	0.8	3.2
31. Mortgage loans on real estate (Line 3.1 and Line 3.2)					
32. Real estate (Lines 4.1, 4.2 and 4.3)					
33. Cash and short-term investments (Line 5)	7.7	0.8	15.6	6.0	
34. Other invested assets (Line 6)					
35. Receivable for securities (Line 7)					
36. Aggregate write-ins for invested assets (Line 8)					
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 (Schedule D, Summary, Line 25, Column 1)					
39. Affiliated preferred stocks (Schedule D, Summary, Line 39, Column 1)					
40. Affiliated common stocks (Schedule D, Summary, Line 53, Column 2)					
41. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Column 5 Line 11)					
42. Affiliated mortgage loans on real estate					
43. All other affiliated					
44. Total of above Line 38 through Line 43					
45. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Column 1, Line 34 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Capital and Surplus Accounts (Page 4)					
46. Net unrealized capital gains (losses) (Line 23)	(488,074)	154,904	220,679	(73,671)	(86,527)
47. Dividends to stockholders (Line 34)	(3,000,000)	(3,702,426)			
48. Change in surplus as regards policyholders for the year (Line 37)	(2,359,531)	(502,956)	2,544,172	1,357,854	530,576
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
49. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	9,092,770	9,129,265	7,841,941	6,619,490	6,464,922
50. Property lines (Lines 1, 2, 9, 12, 21 and 26)	1,603,434	2,424,309	3,861,099	4,365,682	2,427,568
51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	2,271,693	2,561,064	2,631,937	2,745,917	2,273,745
52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33)	53,753	41,057	45,423	41,483	31,388
53. Nonproportional reinsurance lines (Lines 30, 31, and 32)					
54. Total (Line 34)	13,021,650	14,155,695	14,380,400	13,772,572	11,197,623
Net Losses Paid (Page 9, Part 2, Column 4)					
55. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	3,726,680	3,867,476	4,219,186	3,694,277	5,074,915
56. Property lines (Lines 1, 2, 9, 12, 21 and 26)	1,271,037	1,641,692	1,906,308	2,116,860	1,855,032
57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	2,283,121	2,542,532	2,648,243	2,745,917	2,273,745
58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33)	53,785	40,683	45,411	41,483	31,388
59. Nonproportional reinsurance lines (Lines 30, 31, and 32)					
60. Total (Line 34)	7,334,623	8,092,383	8,819,148	8,598,537	9,235,080
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)	59.8	63.6	72.6	65.4	62.9
63. Loss expenses incurred (Line 3)	15.3	12.7	12.3	11.0	8.8
64. Other underwriting expenses incurred (Line 4)	35.7	32.3	33.9	36.0	34.8
65. Net underwriting gain (loss) (Line 8)	(10.8)	(8.6)	(18.7)	(12.4)	(6.5)
Other Percentages					
66. Other underwriting expenses to net premiums written (Page 4, Lines 4 plus 5 minus 15 divided by Page 8, Part 1B, Column 6, Line 34 x 100.0)	35.4	35.8	34.6	36.3	31.6
67. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 plus Line 3 divided by Page 4, Line 1 x 100.0)	75.1	76.3	84.8	76.4	71.7
68. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 34 divided by Page 3, Line 35, Column 1 x 100.0)	41.7	37.0	38.0	42.4	41.8
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, Column 11)	467		525	(45)	(805)
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, Column 1 x 100.0)	1.3		1.5	(0.1)	(2.5)
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, Column 12)	674	375	(28)	(430)	(1,068)
72. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 71 above divided by Page 4, Line 21, Column 2 x 100.0)	1.8	1.1	(0.1)	(1.3)	(3.5)

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	2,385,238	2,577,062	2,390,034	2,350,000
	2. Canada				
	3. Other Countries				
	4. Totals	2,385,238	2,577,062	2,390,034	2,350,000
States, Territories and Possessions (Direct and guaranteed)	5. United States	1,059,960	1,059,960	1,085,000	1,000,000
	6. Canada				
	7. Other Countries				
	8. Totals	1,059,960	1,059,960	1,085,000	1,000,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	1,042,865	1,042,865	1,071,750	1,000,000
	10. Canada				
	11. Other Countries				
	12. Totals	1,042,865	1,042,865	1,071,750	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	3,777,602	3,777,602	3,800,986	3,762,082
	14. Canada				
	15. Other Countries				
	16. Totals	3,777,602	3,777,602	3,800,986	3,762,082
Public Utilities (unaffiliated)	17. United States	1,015,745	1,044,820	1,020,660	1,000,000
	18. Canada				
	19. Other Countries				
	20. Totals	1,015,745	1,044,820	1,020,660	1,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	39,275,039	41,161,968	39,512,308	39,427,346
	22. Canada				
	23. Other Countries	992,509	1,180,300	991,040	1,000,000
	24. Totals	40,267,548	42,342,268	40,503,348	40,427,346
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	49,548,958	51,844,577	49,871,778	49,539,428
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States	384,658	384,658	356,300	
	50. Canada				
	51. Other Countries				
	52. Totals	384,658	384,658	356,300	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	384,658	384,658	356,300	
	55. Total Stocks	384,658	384,658	356,300	
	56. Total Bonds and Stocks	49,933,616	52,229,235	50,228,078	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ 25,748,815 .

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	56,820,535	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3	15,016,635	6.1 Column 17, Part 1	
3. Increase (decreased) by adjustment:		6.2 Column 13, Part 2, Section 1	
3.1 Column 16, Part 1	(231,621)	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	(276,680)	7. Book/adjusted carrying value at end of current period	49,933,620
3.4 Column 10, Part 4	7,196	8. Total valuation allowance	
4. Total gain (loss), Column 14, Part 4	(818,064)	9. Subtotal (Line 7 plus Line 8)	49,933,620
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4	20,584,381	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	49,933,620

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								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	217	49	32	7	12	3	22	202	XXX
2. 1993	14,231	437	13,794	8,494	103	733	21	693	(1)	312	9,797	XXX
3. 1994	13,428	451	12,977	8,261	84	615	(1)	737	(3)	318	9,533	XXX
4. 1995	13,056	410	12,646	7,502	64	534		700	(7)	290	8,679	XXX
5. 1996	12,539	305	12,234	8,046	65	544	(6)	798	(16)	295	9,345	XXX
6. 1997	12,364	322	12,042	7,309	56	445	1	762	(29)	306	8,488	XXX
7. 1998	13,032	538	12,494	7,930	174	344	16	927	(30)	295	9,041	XXX
8. 1999	15,477	1,052	14,425	9,118	578	420	31	1,040	6	330	9,963	XXX
9. 2000	15,512	1,144	14,368	8,309	326	287	19	897	2	341	9,146	XXX
10. 2001	14,768	881	13,887	5,981	141	106	6	835	3	404	6,772	XXX
11. 2002	14,737	957	13,780	3,406	55	23		562	1	108	3,935	XXX
12. Totals	XXX	XXX	XXX	74,573	1,695	4,083	94	7,963	(71)	3,021	84,901	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 & 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.	1,320	468	565	95			254	9	93	17	15	1,643	XXX
2.	129	27	93	19			22	3	10	2	4	203	XXX
3.	111	9	88	19			21	3	10	1	4	198	XXX
4.	162	31	84	20			27	4	15	3	6	230	XXX
5.	140	8	89	26			38	6	16	4	9	239	XXX
6.	184	24	115	34			57	10	23	8	12	303	XXX
7.	304	54	213	62			104	17	45	12	18	521	XXX
8.	1,017	214	619	164			283	23	135	13	45	1,640	XXX
9.	1,280	134	1,214	313			429	25	201	4	85	2,648	XXX
10.	1,332	121	2,089	545			498	42	274	4	133	3,481	XXX
11.	1,786	132	3,886	891			637	55	492	1	206	5,722	XXX
12.	7,765	1,222	9,055	2,188			2,370	197	1,314	69	537	16,828	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.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	1,322	321
2.	10,174	174	10,000	71.5	39.8	72.5			1.0	176	27
3.	9,843	112	9,731	73.3	24.8	75.0			1.0	171	27
4.	9,024	115	8,909	69.1	28.0	70.4			1.0	195	35
5.	9,671	87	9,584	77.1	28.5	78.3			1.0	195	44
6.	8,895	104	8,791	71.9	32.3	73.0			1.0	241	62
7.	9,867	305	9,562	75.7	56.7	76.5			1.0	401	120
8.	12,632	1,029	11,603	81.6	97.8	80.4			1.0	1,258	382
9.	12,617	823	11,794	81.3	71.9	82.1			1.0	2,047	601
10.	11,115	862	10,253	75.3	97.8	73.8			1.0	2,755	726
11.	10,792	1,135	9,657	73.2	118.6	70.1			1.0	4,649	1,073
12.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	13,410	3,418

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	9,806	9,528	9,303	9,619	9,660	9,928	10,228	10,417	10,401	10,724	323	307
2. 1993	10,377	9,479	9,534	9,248	9,341	9,331	9,298	9,289	9,263	9,299	36	10
3. 1994	XXX	10,003	9,286	9,267	9,053	9,002	9,013	8,986	8,967	8,982	15	(4)
4. 1995	XXX	XXX	9,248	8,545	8,412	8,250	8,181	8,170	8,163	8,188	25	18
5. 1996	XXX	XXX	XXX	9,244	9,092	8,807	8,807	8,792	8,757	8,758	1	(34)
6. 1997	XXX	XXX	XXX	XXX	8,494	8,092	7,968	7,947	7,933	7,986	53	39
7. 1998	XXX	XXX	XXX	XXX	XXX	8,882	8,566	8,476	8,416	8,573	157	97
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	9,840	10,349	10,376	10,446	70	97
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,560	10,710	10,704	(6)	144
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,357	9,150	(207)	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,603	XXX	XXX
12. Totals											467	674

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	0 0 0	2,996	5,555	6,851	7,608	8,136	8,542	8,818	8,964	9,157	XXX	XXX
2. 1993	4,312	6,454	7,599	8,254	8,655	8,856	8,972	9,030	9,051	9,103	XXX	XXX
3. 1994	XXX	4,348	6,339	7,406	8,023	8,409	8,630	8,709	8,747	8,793	XXX	XXX
4. 1995	XXX	XXX	3,970	5,847	6,716	7,410	7,700	7,836	7,928	7,972	XXX	XXX
5. 1996	XXX	XXX	XXX	4,641	6,466	7,573	8,058	8,344	8,473	8,531	XXX	XXX
6. 1997	XXX	XXX	XXX	XXX	3,979	6,070	6,808	7,268	7,525	7,698	XXX	XXX
7. 1998	XXX	XXX	XXX	XXX	XXX	4,951	6,443	7,194	7,715	8,085	XXX	XXX
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	4,970	7,128	8,097	8,929	XXX	XXX
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,005	7,212	8,252	XXX	XXX
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,216	5,940	XXX	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,374	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	2,838	1,690	761	700	528	464	438	575	533	715
2. 1993	3,097	1,103	497	120	209	158	96	89	78	94
3. 1994	XXX	2,978	997	654	289	188	112	104	78	87
4. 1995	XXX	XXX	2,588	1,142	567	252	126	112	75	86
5. 1996	XXX	XXX	XXX	2,297	1,104	403	176	158	110	95
6. 1997	XXX	XXX	XXX	XXX	2,231	840	315	180	130	128
7. 1998	XXX	XXX	XXX	XXX	XXX	1,912	874	442	199	238
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	2,165	1,357	916	714
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,720	1,725	1,306
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,896	2,000
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,576

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 Premium Written for Federal Purchasing Groups (Included in Column 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	Yes	92,725	86,961	1,622	117,585	123,113		
2. Alaska	AK	Yes	11	11					
3. Arizona	AZ	Yes	48,660	62,753	110,193	32,884	4,132		
4. Arkansas	AR	Yes							
5. California	CA	No							
6. Colorado	CO	Yes	2,223	2,516	(1,561)	(2,056)	47		
7. Connecticut	CT	Yes	1,251,887	1,579,480	11,257	1,011,123	1,258,978	1,858,847	
8. Delaware	DE	Yes	163,914	157,921		139,088	346,910	312,040	
9. Dist. Columbia	DC	Yes	184,950	113,164		9,578	43,196	52,588	
10. Florida	FL	Yes							
11. Georgia	GA	Yes	348,060	330,676	76,285	643,147	594,707		
12. Hawaii	HI	No							
13. Idaho	ID	Yes	316	250		14	14		
14. Illinois	IL	Yes	2,280,047	2,131,370	409,917	350,886	943,210		
15. Indiana	IN	Yes	(22,587)	(166,453)	45,926	37,812	14,251		
16. Iowa	IA	Yes	32,048	15,001	40,968	(13,708)	1,330		
17. Kansas	KS	Yes	8,093	6,598		(322)	209		
18. Kentucky	KY	Yes	499,413	582,628	117,627	103,737	276,125		
19. Louisiana	LA	Yes							
20. Maine	ME	No							
21. Maryland	MD	Yes	3,718,854	2,986,715	60,369	666,555	1,729,709	2,454,334	
22. Massachusetts	MA	Yes	50,273	39,371	61	2,224	2,266		
23. Michigan	MI	Yes	386,591	385,845	99,539	30,609	326,472		
24. Minnesota	MN	Yes	863,210	144,227	27,813	24,931	30,920		
25. Mississippi	MS	Yes	28,396	12,486	266	1,859	1,761		
26. Missouri	MO	Yes	127,282	133,851	12,816	72,133	234,049		
27. Montana	MT	Yes							
28. Nebraska	NE	Yes	181,420	161,794	27,297	(14,102)	56,356		
29. Nevada	NV	Yes	46,530	38,150	55,093	(109,305)	8,088		
30. New Hampshire	NH	No							
31. New Jersey	NJ	Yes	1,234,175	1,785,531	480,905	1,288,196	2,008,815		
32. New Mexico	NM	Yes	11,789	13,012	(386)	(1,183)	5,348		
33. New York	NY	Yes	418,007	470,707	54,222	275,478	252,547		
34. North Carolina	NC	Yes	1,472,013	1,289,811	188,832	503,754	601,228		
35. North Dakota	ND	Yes							
36. Ohio	OH	Yes	256,459	246,604	79,847	198,158	153,109		
37. Oklahoma	OK	Yes	40,940	42,830	38,161	21,585	28,508		
38. Oregon	OR	Yes	113	108	188,274	(72,102)	137,198		
39. Pennsylvania	PA	Yes	5,774,998	5,226,055	991,021	5,116,515	5,144,071		
40. Rhode Island	RI	Yes							
41. South Carolina	SC	Yes	187,967	271,253	102,077	133,784	224,380		
42. South Dakota	SD	Yes							
43. Tennessee	TN	Yes	252,242	245,714	208,685	328,341	578,729		
44. Texas	TX	Yes	863,964	575,917	44,502	202,878	224,841		
45. Utah	UT	Yes	214,502	351,396	239,000	250,686	242,730		
46. Vermont	VT	No							
47. Virginia	VA	Yes	695,254	639,179	181,487	1,039,489	977,869		
48. Washington	WA	Yes	24,642	47,463	83,986	23,637	137,493		
49. West Virginia	WV	Yes	10	10					
50. Wisconsin	WI	Yes	119,290	114,866	(710)	4,699	6,486		
51. Wyoming	WY	Yes							
52. American Samoa	AS	No							
53. Guam	GU	No							
54. Puerto Rico	PR	No							
55. U.S. Virgin Islands	VI	No							
56. Canada	CN	No							
57. Aggregate other alien	OT	XXX							
58. Totals	(a) 46	21,858,681	20,125,771	71,626	5,730,109	13,971,036	18,018,211		
DETAILS OF WRITE-INS									
5701.	XXX								
5702.	XXX								
5703.	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX								
5799. Totals (Line 5701 through Line 5703 plus Line 5798) (Line 57 above)	XXX								

Explanation of basis of allocation of premiums by states, etc.

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