



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE
WESTERN RESERVE MUTUAL CASUALTY COMPANY

NAIC Group Code 0207 (Current Period) 0207 (Prior Period) NAIC Company Code 26131 Employer's ID Number 34-0613930

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

Country of Domicile United States of America

Incorporated 06/29/1937 Commenced Business 07/30/1937

Statutory Home Office 1685 Cleveland Road (Street and Number), Wooster, OH 44691-0036 (City or Town, State and Zip Code)

Main Administrative Office 1685 Cleveland Road (Street and Number), Wooster, OH 44691-0036 (City or Town, State and Zip Code), 330-262-9060 (Area Code) (Telephone Number)

Mail Address 1685 Cleveland Road (Street and Number or P.O. Box), Wooster, OH 44691-0036 (City or Town, State and Zip Code)

Primary Location of Books and Records 1685 Cleveland Road (Street and Number), Wooster, OH 44691-0036 (City or Town, State and Zip Code), 330-262-9060 (Area Code) (Telephone Number)

Internet Website Address www.wrg-ins.com

Statement Contact Joseph E. Wilford (Name), 330-262-9060-2437 (Area Code) (Telephone Number) (Extension), Joe.Wilford@wrg-ins.com (E-mail Address), 330-264-7822 (Fax Number)

Policyowner Relations Contact 1685 Cleveland Rd. (Street and Number), Wooster, OH 44691-0036 (City or Town, State and Zip Code), 330-262-9060 (Area Code) (Telephone Number) (Extension)

OFFICERS

PRESIDENT JOHN P. MURPHY SECRETARY JOHN P. MURPHY
VP FINANCE/CFO/TREASURER KENNETH B. STOCKMAN

VICE PRESIDENTS

WILLIAM J. BLINCOE KEVIN W. DAY F. EMERSON LOGEE
TIMOTHY A. PADDOCK DANIEL J. PITCHER KENNETH B. STOCKMAN

DIRECTORS OR TRUSTEES

ROBERT P. BOGNER F. EMERSON LOGEE JOHN P. MURPHY
C. MICHAEL REARDON KENNETH G. RHODE

State of OHIO
County of WAYNE } 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.

JOHN P. MURPHY PRESIDENT JOHN P. MURPHY SECRETARY KENNETH B. STOCKMAN VP FINANCE/CFO/TREASURER

Subscribed and sworn to before me this day of , 2003

- a. Is this an original filing? Yes [ X ] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY**

**ASSETS**

|  | Current Year |                            |   | Prior Year               |
|--|--------------|----------------------------|---|--------------------------|
|  | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted Assets<br>(Cols. 1 - 2) | 4<br>Net Admitted Assets |
| 1. Bonds .....   | 55,886,075   |                            | 55,886,075                                | 52,250,141               |
| 2. Stocks:   |              |                            |   |                          |
| 2.1 Preferred stocks (Schedule D, Part 2, Section 1) .....   | 809,120      |                            | 809,120                                   | 812,080                  |
| 2.2 Common stocks (Schedule D, Part 2, Section 2) .....  | 32,054,508   |                            | 32,054,508                                | 47,976,994               |
| 3. Mortgage loans on real estate (Schedule B):   |              |                            |   |                          |
| 3.1 First liens .....  |              |                            | 0   | 0                        |
| 3.2 Other than first liens .....   |              |                            | 0   | 0                        |
| 4. Real estate (Schedule A):   |              |                            |   |                          |
| 4.1 Properties occupied by the company<br>(less \$ ..... encumbrances) .....   |              |                            | 0   | 0                        |
| 4.2 Properties held for the production of income<br>(less \$ ..... encumbrances) .....   |              |                            | 0   | 0                        |
| 4.3 Properties held for sale<br>(less \$ ..... encumbrances) .....   |              |                            | 0   | 0                        |
| 5. Cash (\$ ..... (3,074,935) Schedule E, Part 1) and short-term<br>investments(\$ ..... 13,913,381 Schedule DA, Part 2) .....                     | 10,838,446   |                            | 10,838,446                                | 8,228,672                |
| 6. Other invested assets (Schedule BA) .....   | 1,186,848    |                            | 1,186,848                                 | 1,124,434                |
| 7. Receivable for securities .....   |              |                            | 0   | 0                        |
| 8. Aggregate write-ins for invested assets .....   | 0            | 0                          | 0   | 0                        |
| 9. Subtotals, cash and invested assets (Lines 1 to 8) .....  | 100,774,997  | 0                          | 100,774,997                               | 110,392,321              |
| 10. Agents' balances or uncollected premiums:  |              |                            |   |                          |
| 10.1 Premiums and agents' balances in course of collection .....   |              |                            | 0   | 0                        |
| 10.2 Premiums, agents' balances and installments booked but deferred<br>and not yet due (Including<br>\$ ..... earned but unbilled premiums) ..... | 15,237,913   | 155,729                    | 15,082,184                                | 9,328,739                |
| 10.3 Accrued retrospective premiums .....  |              |                            | 0   | 0                        |
| 11. Funds held by or deposited with reinsured companies .....  |              |                            | 0   | 0                        |
| 12. Bills receivable, taken for premiums .....   |              |                            | 0   | 0                        |
| 13. Amounts receivable under high deductible policies .....  |              |                            | 0   | 0                        |
| 14. Reinsurance recoverables on loss and loss adjustment expense payments<br>(Schedule F, Part 3, Cols. 7 and 8) .....                             | 200,463      |                            | 200,463                                   | 184,490                  |
| 15. Federal and foreign income tax recoverable and interest thereon (including<br>\$ ..... net deferred tax asset) .....                           |              |                            | 0   | 0                        |
| 16. Guaranty funds receivable or on deposit .....  |              |                            | 0   | 0                        |
| 17. Electronic data processing equipment and software .....  |              |                            | 0   | 0                        |
| 18. Interest, dividends and real estate income due and accrued .....   | 889,285      |                            | 889,285                                   | 881,249                  |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates .....  |              |                            | 0   | 0                        |
| 20. Receivable from parent, subsidiaries and affiliates .....  |              |                            | 0   | 824,366                  |
| 21. Amount due from/to protected cells .....   |              |                            | 0   | 0                        |
| 22. Equities and deposits in pools and associations .....  |              |                            | 0   | 0                        |
| 23. Amounts receivable relating to uninsured accident and health plans .....   |              |                            | 0   | 0                        |
| 24. Other assets nonadmitted (Exhibit 1) .....   |              |                            | 0   | 0                        |
| 25. Aggregate write-ins for other than invested assets .....   | 2,604        | 0                          | 2,604                                     | 3,807                    |
| 26. Total assets excluding protected cell assets (Lines 9 through 25) .....  | 117,105,262  | 155,729                    | 116,949,533                               | 121,614,972              |
| 27. Protected cell assets .....  |              |                            | 0   |                          |
| 28. TOTALS (Lines 26 and 27)   | 117,105,262  | 155,729                    | 116,949,533                               | 121,614,972              |
| <b>DETAILS OF WRITE-INS</b>  |              |                            |   |                          |
| 0801. ....   |              |                            |   |                          |
| 0802. ....   |              |                            |   |                          |
| 0803. ....   |              |                            |   |                          |
| 0898. Summary of remaining write-ins for Line 8 from overflow page .....   | 0            | 0                          | 0   | 0                        |
| 0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above) .....   | 0            | 0                          | 0   | 0                        |
| 2501. ASSUMED REINSURANCE RECEIVABLE .....   | 2,604        |                            | 2,604                                     | 3,807                    |
| 2502. ....   |              |                            | 0   | 0                        |
| 2503. ....   |              |                            |   |                          |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....  | 0            | 0                          | 0   | 0                        |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above) .....  | 2,604        | 0                          | 2,604                                     | 3,807                    |

LIABILITIES, SURPLUS AND OTHER FUNDS

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| 1. Losses (Part 2A, Line 34, Column 8) .....   | 24,759,387        | 23,531,854      |
| 2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6) .....  | 0                 | 0               |
| 3. Loss adjustment expenses (Part 2A, Line 34, Column 9) .....   | 2,915,200         | 2,835,200       |
| 4. Commissions payable, contingent commissions and other similar charges .....   | 1,608,663         | 1,110,021       |
| 5. Other expenses (excluding taxes, licenses and fees) .....   | 499,576           | 423,026         |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....   | 803,535           | 717,961         |
| 7. Federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) (including \$ .....1,052,498 net deferred tax liability) .....                 | 83,812            | 4,569,565       |
| 8. Borrowed money \$ ..... and interest thereon \$ .....   | 0                 | 0               |
| 9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ .....424,000 and including warranty reserves of \$ .....) | 22,027,230        | 19,173,359      |
| 10. Advance premiums .....   | 487,615           | 0               |
| 11. Dividends declared and unpaid:   |                   |                 |
| 11.1 Stockholders .....  | 0                 | 0               |
| 11.2 Policyholders .....   | 0                 | 0               |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) .....   | 603,302           | 589,032         |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....   | 0                 | 0               |
| 14. Amounts withheld or retained by company for account of others .....  | 1,403,724         | 1,805,151       |
| 15. Remittances and items not allocated .....  | 0                 | 0               |
| 16. Provision for reinsurance (Schedule F, Part 7) .....   | 0                 | 0               |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates .....  | 0                 | 0               |
| 18. Drafts outstanding .....   | 0                 | 0               |
| 19. Payable to parent, subsidiaries and affiliates .....   | 171,092           | 0               |
| 20. Payable for securities .....   | 0                 | 0               |
| 21. Liability for amounts held under uninsured accident and health plans .....   | 0                 | 0               |
| 22. Capital Notes \$ ..... and interest thereon \$ .....   | 0                 | 0               |
| 23. Aggregate write-ins for liabilities .....  | 1,557,445         | 613,912         |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....  | 56,920,581        | 55,369,081      |
| 25. Protected cell liabilities .....   | 0                 | 0               |
| 26. Total liabilities (Lines 24 and 25) .....  | 56,920,581        | 55,369,081      |
| 27. Aggregate write-ins for special surplus funds .....  | 0                 | 0               |
| 28. Common capital stock .....   | 0                 | 0               |
| 29. Preferred capital stock .....  | 0                 | 0               |
| 30. Aggregate write-ins for other than special surplus funds .....   | 0                 | 0               |
| 31. Surplus notes .....  | 0                 | 0               |
| 32. Gross paid in and contributed surplus .....  | 0                 | 0               |
| 33. Unassigned funds (surplus) .....   | 60,028,952        | 66,245,891      |
| 34. Less treasury stock, at cost:  |                   |                 |
| 34.1 ..... shares common (value included in Line 28 \$ .....)  | 0                 | 0               |
| 34.2 ..... shares preferred (value included in Line 29 \$ .....)   | 0                 | 0               |
| 35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38) .....   | 60,028,952        | 66,245,891      |
| 36. TOTALS (Page 2, Line 28, Col. 3) .....   | 116,949,533       | 121,614,972     |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 2301. Employee Distribution .....  | 1,053,976         | 613,912         |
| 2302. Deferred Option Income .....   | 351,939           | 0               |
| 2303. Option Liability .....   | 151,530           | 0               |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....  | 0                 | 0               |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above) .....  | 1,557,445         | 613,912         |
| 2701. ....   |                   |                 |
| 2702. ....   |                   |                 |
| 2703. ....   |                   |                 |
| 2798. Summary of remaining write-ins for Line 27 from overflow page .....  | 0                 | 0               |
| 2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above) .....  | 0                 | 0               |
| 3001. ....   |                   |                 |
| 3002. ....   |                   |                 |
| 3003. ....   |                   |                 |
| 3098. Summary of remaining write-ins for Line 30 from overflow page .....  | 0                 | 0               |
| 3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above) .....  | 0                 | 0               |

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME**

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>UNDERWRITING INCOME</b>   |                   |                 |
| 1. Premiums earned (Part 1, Line 34, Column 4) .....   | 52,629,766        | 45,881,195      |
| <b>DEDUCTIONS</b>  |                   |                 |
| 2. Losses incurred (Part 2, Line 34, Column 7) .....   | 36,193,428        | 33,869,621      |
| 3. Loss expenses incurred (Part 3, Line 25, Column 1) .....  | 3,994,126         | 2,728,821       |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....  | 16,333,305        | 13,943,801      |
| 5. Aggregate write-ins for underwriting deductions .....   | 0                 | 0               |
| 6. Total underwriting deductions (Lines 2 through 5) .....   | 56,520,859        | 50,542,243      |
| 7. Net income of protected cells .....   |                   |                 |
| 8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7) .....   | (3,891,093)       | (4,661,048)     |
| <b>INVESTMENT INCOME</b>   |                   |                 |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....  | 3,402,696         | 4,187,747       |
| 10. Net realized capital gains or (losses) (Exhibit of Capital Gains (Losses)) .....   | 2,586,243         | 1,455,955       |
| 11. Net investment gain or (loss) (Lines 9 + 10) .....   | 5,988,939         | 5,643,702       |
| <b>OTHER INCOME</b>  |                   |                 |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ ..... amount charged off \$ ..... ) ..... | (48,013)          | (32,419)        |
| 13. Finance and service charges not included in premiums .....   | 1,132,822         | 1,081,589       |
| 14. Aggregate write-ins for miscellaneous income .....   | (1,027,715)       | (531,167)       |
| 15. Total other income (Lines 12 through 14) .....   | 57,094            | 518,003         |
| 16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15) .....             | 2,154,940         | 1,500,657       |
| 17. Dividends to policyholders .....   |                   | 0               |
| 18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17) .....         | 2,154,940         | 1,500,657       |
| 19. Federal and foreign income taxes incurred .....  | 357,273           | 1,044,994       |
| 20. Net income (Line 18 minus Line 19) (to Line 22) .....  | 1,797,667         | 455,663         |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>   |                   |                 |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2) .....                                     | 66,245,891        | 80,499,446      |
| <b>GAINS AND (LOSSES) IN SURPLUS</b>   |                   |                 |
| 22. Net income (from Line 20) .....  | 1,797,667         | 455,663         |
| 23. Net unrealized capital gains or (losses) .....   | (11,292,779)      | (9,281,595)     |
| 24. Change in net unrealized foreign exchange capital gain (loss) .....  |                   | 0               |
| 25. Change in net deferred income tax .....  | 3,476,091         | 3,787,506       |
| 26. Change in nonadmitted assets (Exhibit 1, Line 5, Col. 3) .....   | (46,388)          | 60,564          |
| 27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....   | 0                 | 0               |
| 28. Change in surplus notes .....  |                   | 0               |
| 29. Surplus (contributed to) withdrawn from protected cells .....  |                   |                 |
| 30. Cumulative effect of changes in accounting principles .....  |                   | (9,275,693)     |
| 31. Capital changes:   |                   |                 |
| 31.1. Paid in .....  |                   | 0               |
| 31.2. Transferred from surplus (Stock Dividend) .....  |                   | 0               |
| 31.3. Transferred to surplus .....   |                   | 0               |
| 32. Surplus adjustments:   |                   |                 |
| 32.1. Paid in .....  |                   | 0               |
| 32.2. Transferred to capital (Stock Dividend) .....  |                   | 0               |
| 32.3. Transferred from capital .....   |                   | 0               |
| 33. Net remittances from or (to) Home Office .....   |                   | 0               |
| 34. Dividends to stockholders (cash) .....   |                   | 0               |
| 35. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1) .....  | 0                 | 0               |
| 36. Aggregate write-ins for gains and losses in surplus .....  | (151,530)         | 0               |
| 37. Change in surplus as regards policyholders for the year (Lines 22 through 36) .....  | (6,216,939)       | (14,253,555)    |
| 38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35) .....                      | 60,028,952        | 66,245,891      |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 0501. ....   |                   |                 |
| 0502. ....   |                   |                 |
| 0503. ....   |                   |                 |
| 0598. Summary of remaining write-ins for Line 5 from overflow page .....   | 0                 | 0               |
| 0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....   | 0                 | 0               |
| 1401. EMPLOYEE DISTRIBUTION .....  | (1,054,000)       | (524,959)       |
| 1402. OTHER .....  | 26,285            | (6,208)         |
| 1403. ....   |                   |                 |
| 1498. Summary of remaining write-ins for Line 14 from overflow page .....  | 0                 | 0               |
| 1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....  | (1,027,715)       | (531,167)       |
| 3601. Option Liability .....   | (151,530)         | 0               |
| 3602. ....   |                   |                 |
| 3603. ....   |                   |                 |
| 3698. Summary of remaining write-ins for Line 36 from overflow page .....  | 0                 | 0               |
| 3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above) .....  | (151,530)         | 0               |

## CASH FLOW

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| <b>Cash from Operations</b>   |                   |                 |
| 1. Premiums collected net of reinsurance .....  | 50,155,612        | 47,447,091      |
| 2. Loss and loss adjustment expenses paid (net of salvage and subrogation) .....                                      | 38,895,994        | 34,293,942      |
| 3. Underwriting expenses paid .....   | 15,978,781        | 13,560,512      |
| 4. Other underwriting income (expenses) .....   | 0                 | 0               |
| 5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....  | (4,719,163)       | (407,363)       |
| 6. Net investment income .....  | 3,698,044         | 4,241,127       |
| 7. Other income (expenses):   |                   |                 |
| 7.1 Agents' balances charged off .....  | (48,013)          | (32,419)        |
| 7.2 Net funds held under reinsurance treaties .....   | 0                 | 0               |
| 7.3 Net amount withheld or retained for account of others .....   | 102,042           | 953,106         |
| 7.4 Aggregate write-ins for miscellaneous items .....   | 716,776           | (471,666)       |
| 7.5 Total other income (Lines 7.1 to 7.4) .....   | 770,805           | 449,021         |
| 8. Dividends to policyholders on direct business, less \$ ..... dividends on reinsurance assumed or ceded (net) ..... | 0                 | 0               |
| 9. Federal and foreign income taxes (paid) recovered .....  | (1,367,296)       | (936,824)       |
| 10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) .....                        | (1,617,610)       | 3,345,961       |
| <b>Cash from Investments</b>  |                   |                 |
| 11. Proceeds from investments sold, matured or repaid:  |                   |                 |
| 11.1 Bonds .....  | 12,964,135        | 17,127,678      |
| 11.2 Stocks .....   | 46,026,565        | 53,476,195      |
| 11.3 Mortgage loans .....   | 0                 | 0               |
| 11.4 Real estate .....  | 0                 | 0               |
| 11.5 Other invested assets .....  | 30,077            | 100,981         |
| 11.6 Net gains or (losses) on cash and short-term investments .....   | 0                 | 0               |
| 11.7 Miscellaneous proceeds .....   | 0                 | 0               |
| 11.8 Total investment proceeds (Lines 11.1 to 11.7) .....   | 59,020,777        | 70,704,854      |
| 12. Cost of investments acquired (long-term only):  |                   |                 |
| 12.1 Bonds .....  | 16,355,109        | 14,291,804      |
| 12.2 Stocks .....   | 39,163,012        | 55,438,073      |
| 12.3 Mortgage loans .....   | 0                 | 0               |
| 12.4 Real estate .....  | 0                 | 0               |
| 12.5 Other invested assets .....  | 271,933           | 870,420         |
| 12.6 Miscellaneous applications .....   | 0                 | 0               |
| 12.7 Total investments acquired (Lines 12.1 to 12.6) .....  | 55,790,054        | 70,600,297      |
| 13. Net Cash from investments (Line 11.8 minus Line 12.7) .....   | 3,230,723         | 104,557         |
| <b>Cash from Financing and Miscellaneous Sources</b>  |                   |                 |
| 14. Cash provided:  |                   |                 |
| 14.1 Surplus notes, capital and surplus paid in .....   | 0                 | 0               |
| 14.2 Capital notes \$ ..... less amounts repaid \$ .....  | 0                 | 0               |
| 14.3 Net transfers from affiliates .....  | 995,458           | 0               |
| 14.4 Borrowed funds received .....  | 0                 | 0               |
| 14.5 Other cash provided .....  | 1,203             | 5,626           |
| 14.6 Total (Lines 14.1 to 14.5) .....   | 996,661           | 5,626           |
| 15. Cash applied:   |                   |                 |
| 15.1 Dividends to stockholders paid .....   | 0                 | 0               |
| 15.2 Net transfers to affiliates .....  | 0                 | 108,380         |
| 15.3 Borrowed funds repaid .....  | 0                 | 0               |
| 15.4 Other applications .....   | 0                 | 0               |
| 15.5 Total (Lines 15.1 to 15.4) .....   | 0                 | 108,380         |
| 16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) .....                               | 996,661           | (102,754)       |
| <b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>  |                   |                 |
| 17. Net change in cash and short-term investments (Line 10, plus Line 13, plus Line 16) .....                         | 2,609,774         | 3,347,764       |
| 18. Cash and short-term investments:  |                   |                 |
| 18.1 Beginning of year .....  | 8,228,672         | 4,880,908       |
| 18.2 End of year (Line 17 plus Line 18.1) .....   | 10,838,446        | 8,228,672       |
| <b>DETAILS OF WRITE-INS</b>   |                   |                 |
| 07.401 FINANCE AND SERVICE CHARGES .....  | 1,132,822         | 1,081,589       |
| 07.402 EMPLOYEE DISTRIBUTION .....  | (440,064)         | (1,547,047)     |
| 07.403 OTHER MISCELLANEOUS INCOME .....   | 24,018            | (6,208)         |
| 07.498 Summary of remaining write-ins for Line 7.4 from overflow page .....   | 0                 | 0               |
| 07.499 Totals (Lines 07.401 thru 07.403 plus 07.498) (Line 7.4 above) .....   | 716,776           | (471,666)       |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

| Lines of Business           |   | 1  | 2  | 3  | 4   |
|-----------------------------|---|--|--|--|---|
|                             |   | Net Premiums<br>Written per<br>Column 6, Part 1B | Unearned Premiums<br>Dec. 31 Prior Year -<br>per Col. 3, Last Year's<br>Part 2 | Unearned Premiums<br>Dec. 31 Current<br>Year - per Col. 5<br>Part 1A | Premiums Earned<br>During Year<br>(Cols. 1 + 2 - 3) |
| 1.                          | Fire .....  | 368,691  | 276,702  | 239,658  | 405,735   |
| 2.                          | Allied lines .....  | 181,830  | 94,854   | 100,617  | 176,067   |
| 3.                          | Farmowners multiple peril .....                                     | 3,152,709  | 1,537,240  | 1,773,081  | 2,916,868   |
| 4.                          | Homeowners multiple peril .....                                     | 10,832,069                                       | 5,402,555  | 6,317,192  | 9,917,432   |
| 5.                          | Commercial multiple peril .....                                     | 4,525,068  | 1,937,570  | 2,407,702  | 4,054,936   |
| 6.                          | Mortgage guaranty .....   | 0  | 0  | 0  | 0   |
| 8.                          | Ocean marine .....  | 0  | 0  | 0  | 0   |
| 9.                          | Inland marine .....   | 369,226  | 177,848  | 195,302  | 351,772   |
| 10.                         | Financial guaranty .....  | 0  | 0  | 0  | 0   |
| 11.1                        | Medical malpractice - occurrence .....                              | 0  | 0  | 0  | 0   |
| 11.2                        | Medical malpractice - claims-made .....                             | 0  | 0  | 0  | 0   |
| 12.                         | Earthquake .....  | 7,152  | 3,362  | 3,241  | 7,273   |
| 13.                         | Group accident and health .....                                     | 0  | 0  | 0  | 0   |
| 14.                         | Credit accident and health (group and individual) .....             | 0  | 0  | 0  | 0   |
| 15.                         | Other accident and health .....                                     | 0  | 0  | 0  | 0   |
| 16.                         | Workers' compensation .....   | 514,095  | 206,616  | 253,135  | 467,576   |
| 17.1                        | Other liability - occurrence .....                                  | 151,795  | 96,802   | 101,387  | 147,210   |
| 17.2                        | Other liability - claims-made .....                                 | 0  | 0  | 0  | 0   |
| 18.1                        | Products liability - occurrence .....                               | 36,837   | 14,637   | 18,260   | 33,214  |
| 18.2                        | Products liability - claims-made .....                              | 0  | 0  | 0  | 0   |
| 19.1,19.2                   | Private passenger auto liability .....                              | 17,826,233                                       | 4,643,548  | 5,089,411  | 17,380,370  |
| 19.3,19.4                   | Commercial auto liability .....                                     | 2,241,696  | 943,409  | 1,074,602  | 2,110,503   |
| 21.                         | Auto physical damage .....  | 15,245,728                                       | 3,823,181  | 4,438,902  | 14,630,007  |
| 22.                         | Aircraft (all perils) .....   | 0  | 0  | 0  | 0   |
| 23.                         | Fidelity .....  | 0  | 0  | 0  | 0   |
| 24.                         | Surety .....  | 0  | 0  | 0  | 0   |
| 26.                         | Burglary and theft .....  | 30,508   | 15,035   | 14,740   | 30,803  |
| 27.                         | Boiler and machinery .....  | 0  | 0  | 0  | 0   |
| 28.                         | Credit .....  | 0  | 0  | 0  | 0   |
| 29.                         | International .....   | 0  | 0  | 0  | 0   |
| 30.                         | Reinsurance - Nonproportional Assumed Property .....                | 0  | 0  | 0  | 0   |
| 31.                         | Reinsurance - Nonproportional Assumed Liability .....               | 0  | 0  | 0  | 0   |
| 32.                         | Reinsurance - Nonproportional Assumed Financial Lines .....         | 0  | 0  | 0  | 0   |
| 33.                         | Aggregate write-ins for other lines of business .....               | 0  | 0  | 0  | 0   |
| 34.                         | <b>TOTALS</b>   | <b>55,483,637</b>                                | <b>19,173,359</b>  | <b>22,027,230</b>  | <b>52,629,766</b>                                   |
| <b>DETAILS OF WRITE-INS</b> |   |  |  |  |   |
| 3301.                       | .....   |  |  |  |   |
| 3302.                       | .....   |  |  |  |   |
| 3303.                       | .....   |  |  |  |   |
| 3398.                       | Summary of remaining write-ins for Line 33 from overflow page ..... | 0  | 0  | 0  | 0   |
| 3399.                       | Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)             | 0  | 0  | 0  | 0   |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

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

| Line of Business  | 1<br>Amount Unearned<br>(Running One Year or<br>Less from Date of<br>Policy)<br>(b) | 2<br>Amount Unearned<br>(Running More Than<br>One Year from Date<br>of Policy)<br>(b) | 3<br>Earned<br>but<br>Unbilled Premium | 4<br>Reserve for Rate<br>Credits and<br>Retrospective<br>Adjustments Based<br>on Experience | 5<br>Total Reserve<br>for<br>Unearned Premiums<br>Cols: 1 + 2 + 3 + 4 |
|---|---|---|--|---|---|
| 1. Fire .....   | 239,658   |   |  |   | 239,658   |
| 2. Allied lines .....   | 100,617   |   |  |   | 100,617   |
| 3. Farmowners multiple peril .....  | 1,773,081   |   |  |   | 1,773,081   |
| 4. Homeowners multiple peril .....  | 6,317,192   |   |  |   | 6,317,192   |
| 5. Commercial multiple peril .....  | 2,407,702   |   |  |   | 2,407,702   |
| 6. Mortgage guaranty .....  |   |   |  |   | 0   |
| 8. Ocean marine .....   |   |   |  |   | 0   |
| 9. Inland marine .....  | 195,302   |   |  |   | 195,302   |
| 10. Financial guaranty .....  |   |   |  |   | 0   |
| 11.1 Medical malpractice - occurrence .....                               |   |   |  |   | 0   |
| 11.2 Medical malpractice - claims-made .....                              |   |   |  |   | 0   |
| 12. Earthquake .....  | 3,241   |   |  |   | 3,241   |
| 13. Group accident and health .....                                       |   |   |  |   | 0   |
| 14. Credit accident and health (group and individual) .....               |   |   |  |   | 0   |
| 15. Other accident and health .....                                       |   |   |  |   | 0   |
| 16. Workers' compensation .....   | 253,135   |   |  |   | 253,135   |
| 17.1 Other liability - occurrence .....                                   | 101,387   |   |  |   | 101,387   |
| 17.2 Other liability - claims-made .....                                  |   |   |  |   | 0   |
| 18.1 Products liability - occurrence .....                                | 18,260  |   |  |   | 18,260  |
| 18.2 Products liability - claims-made .....                               |   |   |  |   | 0   |
| 19.1,19.2 Private passenger auto liability .....                          | 5,089,411   |   |  |   | 5,089,411   |
| 19.3,19.4 Commercial auto liability .....                                 | 1,074,602   |   |  |   | 1,074,602   |
| 21. Auto physical damage .....  | 4,438,902   |   |  |   | 4,438,902   |
| 22. Aircraft (all perils) .....   |   |   |  |   | 0   |
| 23. Fidelity .....  |   |   |  |   | 0   |
| 24. Surety .....  |   |   |  |   | 0   |
| 26. Burglary and theft .....  | 14,740  |   |  |   | 14,740  |
| 27. Boiler and machinery .....  |   |   |  |   | 0   |
| 28. Credit .....  |   |   |  |   | 0   |
| 29. International .....   |   |   |  |   | 0   |
| 30. Reinsurance - Nonproportional Assumed Property .....                  |   |   |  |   | 0   |
| 31. Reinsurance - Nonproportional Assumed Liability .....                 |   |   |  |   | 0   |
| 32. Reinsurance - Nonproportional Assumed Financial Lines .....           |   |   |  |   | 0   |
| 33. Aggregate write-ins for other lines of business .....                 | 0   | 0   | 0                                      | 0   | 0   |
| 34. TOTALS  | 22,027,230  | 0   | 0                                      | 0   | 22,027,230  |
| 35. Accrued retrospective premiums based on experience .....              |   |   |  |   |   |
| 36. Earned but unbilled premiums .....                                    |   |   |  |   |   |
| 37. Balance (Sum of Line 34 through 36)                                   |   |   |  |   | 22,027,230  |
| <b>DETAILS OF WRITE-INS</b>   |   |   |  |   |   |
| 3301. ....  |   |   |  |   |   |
| 3302. ....  |   |   |  |   |   |
| 3303. ....  |   |   |  |   |   |
| 3398. Summary of remaining write-ins for Line 33 from overflow page ..... | 0   | 0   | 0                                      | 0   | 0   |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)             | 0   | 0   | 0                                      | 0   | 0   |

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.

Are they so returned in this statement? Yes [ X ] No [ ]

(b) State here basis of computation used in each case .

**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<br>Direct<br>Business<br>(a) | Reinsurance Assumed     |                             | Reinsurance Ceded     |                           | 6<br>Net Premiums<br>Written Cols.<br>1 + 2 + 3 - 4 - 5 |
|---|--------------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|---|
|   |                                | 2<br>From<br>Affiliates | 3<br>From<br>Non-Affiliates | 4<br>To<br>Affiliates | 5<br>To<br>Non-Affiliates |   |
| 1. Fire   | 1,057,579                      | 368,691                 |                             | 952,219               | 105,360                   | 368,691   |
| 2. Allied lines   | 462,385                        | 181,830                 |                             | 417,305               | 45,080                    | 181,830   |
| 3. Farmowners multiple peril  |                                | 3,152,709               |                             |                       |                           | 3,152,709   |
| 4. Homeowners multiple peril  | 17,241,667                     | 10,832,069              |                             | 15,589,856            | 1,651,811                 | 10,832,069  |
| 5. Commercial multiple peril  | 8,307,114                      | 4,525,068               |                             | 7,670,217             | 636,897                   | 4,525,068   |
| 6. Mortgage guaranty  |                                |                         |                             |                       |                           | 0   |
| 8. Ocean marine   |                                |                         |                             |                       |                           | 0   |
| 9. Inland marine  | 609,302                        | 369,226                 |                             | 550,184               | 59,118                    | 369,226   |
| 10. Financial guaranty  |                                |                         |                             |                       |                           | 0   |
| 11.1 Medical malpractice - occurrence                               |                                |                         |                             |                       |                           | 0   |
| 11.2 Medical malpractice - claims-made                              |                                |                         |                             |                       |                           | 0   |
| 12. Earthquake  | 10,442                         | 7,152                   |                             | 9,475                 | 967                       | 7,152   |
| 13. Group accident and health                                       |                                |                         |                             |                       |                           | 0   |
| 14. Credit accident and health (group and individual)               |                                |                         |                             |                       |                           | 0   |
| 15. Other accident and health                                       |                                |                         |                             |                       |                           | 0   |
| 16. Workers' compensation   | 1,340,481                      | 514,095                 |                             | 1,285,237             | 55,244                    | 514,095   |
| 17.1 Other liability - occurrence                                   | 1,620,899                      | 151,795                 |                             | 330,995               | 1,289,904                 | 151,795   |
| 17.2 Other liability - claims-made                                  |                                |                         |                             |                       |                           | 0   |
| 18.1 Products liability - occurrence                                | 78,264                         | 36,837                  |                             | 75,219                | 3,045                     | 36,837  |
| 18.2 Products liability - claims-made                               |                                |                         |                             |                       |                           | 0   |
| 19.1,19.2 Private passenger auto liability                          | 22,300,188                     | 17,826,233              |                             | 21,347,419            | 952,769                   | 17,826,233  |
| 19.3,19.4 Commercial auto liability                                 | 3,546,121                      | 2,241,696               |                             | 3,401,460             | 144,661                   | 2,241,696   |
| 21. Auto physical damage  | 17,584,594                     | 15,245,728              |                             | 17,236,636            | 347,958                   | 15,245,728  |
| 22. Aircraft (all perils)   |                                |                         |                             |                       |                           | 0   |
| 23. Fidelity  |                                |                         |                             |                       |                           | 0   |
| 24. Surety  |                                |                         |                             |                       |                           | 0   |
| 26. Burglary and theft  | 40,773                         | 30,508                  |                             | 36,874                | 3,899                     | 30,508  |
| 27. Boiler and machinery  |                                |                         |                             |                       |                           | 0   |
| 28. Credit  |                                |                         |                             |                       |                           | 0   |
| 29. International   |                                |                         |                             |                       |                           | 0   |
| 30. Reinsurance - Nonproportional Assumed Property                  | XXX                            |                         |                             |                       |                           | 0   |
| 31. Reinsurance - Nonproportional Assumed Liability                 | XXX                            |                         |                             |                       |                           | 0   |
| 32. Reinsurance - Nonproportional Assumed Financial Lines           | XXX                            |                         |                             |                       |                           | 0   |
| 33. Aggregate write-ins for other lines of business                 | 0                              | 0                       | 0                           | 0                     | 0                         | 0   |
| 34. TOTALS  | 74,199,809                     | 55,483,637              | 0                           | 68,903,096            | 5,296,713                 | 55,483,637  |
| <b>DETAILS OF WRITE-INS</b>   |                                |                         |                             |                       |                           |   |
| 3301.   |                                |                         |                             |                       |                           |   |
| 3302.   |                                |                         |                             |                       |                           |   |
| 3303.   |                                |                         |                             |                       |                           |   |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | 0                              | 0                       | 0                           | 0                     | 0                         | 0   |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)       | 0                              | 0                       | 0                           | 0                     | 0                         | 0   |

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

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

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

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

| Line of Business  | Losses Paid Less Salvage |                             |                               |  | 5<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A, Col. 8) | 6<br>Net Losses<br>Unpaid<br>Previous Year | 7<br>Losses Incurred<br>Current Year<br>(Cols. 4 + 5 - 6) | 8<br>Percentage of Losses<br>Incurred<br>(Col. 7, Part 2)<br>to Premiums Earned<br>(Col. 4, Part 1) |
|---|--------------------------|-----------------------------|-------------------------------|--|--|--|---|---|
|   | 1<br>Direct Business     | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |  |  |   |   |
| 1. Fire   | 322,500                  | 141,958                     | 322,500                       | 141,958                                | 59,026   | 31,402                                     | 169,582   | 41.8  |
| 2. Allied lines   | 374,144                  | 158,313                     | 374,144                       | 158,313                                | 30,629   | 19,583                                     | 169,359   | 96.2  |
| 3. Farmowners multiple peril  | .0                       | 2,218,738                   | .0                            | 2,218,738                              | 916,375  | 990,051                                    | 2,145,062   | 73.5  |
| 4. Homeowners multiple peril  | 13,220,332               | 8,859,885                   | 13,220,332                    | 8,859,885                              | 2,946,703  | 2,750,479                                  | 9,056,109   | 91.3  |
| 5. Commercial multiple peril  | 2,248,390                | 1,228,607                   | 2,248,390                     | 1,228,607                              | 1,347,226  | 1,061,345                                  | 1,514,488   | 37.3  |
| 6. Mortgage guaranty  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 8. Ocean marine   | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 9. Inland marine  | 129,797                  | 115,846                     | 129,797                       | 115,846                                | 12,697   | 28,177                                     | 100,366   | 28.5  |
| 10. Financial guaranty  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 11.1 Medical malpractice - occurrence                               | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 11.2 Medical malpractice - claims-made                              | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 12. Earthquake  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 13. Group accident and health                                       | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 14. Credit accident and health (group and individual)               | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 15. Other accident and health                                       | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 16. Workers' compensation   | 660,063                  | 135,530                     | 660,063                       | 135,530                                | 218,782  | 218,196                                    | 136,116   | 29.1  |
| 17.1 Other liability - occurrence                                   | 643,184                  | 76,519                      | 643,184                       | 76,519                                 | 376,810  | 469,322                                    | (15,993)  | (10.9)  |
| 17.2 Other liability - claims-made                                  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 18.1 Products liability - occurrence                                | 2,564                    | 1,026                       | 2,564                         | 1,026                                  | 4,001  | 6,000                                      | (973)   | (2.9)   |
| 18.2 Products liability - claims-made                               | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 19.1,19.2 Private passenger auto liability                          | 16,031,929               | 11,688,115                  | 16,031,929                    | 11,688,115                             | 16,663,535   | 15,848,872                                 | 12,502,778  | 71.9  |
| 19.3,19.4 Commercial auto liability                                 | 2,062,176                | 856,493                     | 2,062,176                     | 856,493                                | 1,264,261  | 1,532,170                                  | 588,584   | 27.9  |
| 21. Auto physical damage  | 11,465,807               | 9,459,875                   | 11,465,807                    | 9,459,875                              | 911,667  | 561,342                                    | 9,810,200   | 67.1  |
| 22. Aircraft (all perils)   | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 23. Fidelity  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 24. Surety  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 26. Burglary and theft  | 36,333                   | 24,991                      | 36,334                        | 24,990                                 | 1,797  | 8,200                                      | 18,587  | 60.3  |
| 27. Boiler and machinery  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 28. Credit  | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 29. International   | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 30. Reinsurance - Nonproportional Assumed Property                  | XXX                      | .0                          | .0                            | .0                                     | 5,878  | 6,715                                      | (837)   | 0.0   |
| 31. Reinsurance - Nonproportional Assumed Liability                 | XXX                      | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 32. Reinsurance - Nonproportional Assumed Financial Lines           | XXX                      | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 33. Aggregate write-ins for other lines of business                 | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 34. TOTALS  | 47,197,219               | 34,965,896                  | 47,197,220                    | 34,965,895                             | 24,759,387   | 23,531,854                                 | 36,193,428  | 68.8  |
| <b>DETAILS OF WRITE-INS</b>   |                          |                             |                               |  |  |  |   |   |
| 3301.   |                          |                             |                               |  |  |  |   |   |
| 3302.   |                          |                             |                               |  |  |  |   |   |
| 3303.   |                          |                             |                               |  |  |  |   |   |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | .0                       | .0                          | .0                            | .0                                     | .0   | .0   | .0  | 0.0   |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)       | 0                        | 0                           | 0                             | 0                                      | 0  | 0  | 0   | 0.0   |

6

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

| Line of Business  | Reported Losses |                          |  |   | Incurred But Not Reported |                          |                        | 8<br>Net Losses Unpaid<br>(Cols. 4 + 5 + 6 - 7) | 9<br>Unpaid Loss Adjustment Expenses |
|---|-----------------|--------------------------|--|---|---------------------------|--------------------------|------------------------|---|--------------------------------------|
|   | 1<br>Direct     | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4<br>Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded |   |                                      |
| 1. Fire   | 123,801         | 49,521                   | 123,801  | 49,521  | 25,445                    | 9,505                    | 25,445                 | 59,026  | 5,031                                |
| 2. Allied lines   | 73,571          | 30,629                   | 73,571   | 30,629  | 0                         | 0                        | 0                      | 30,629  | 6,277                                |
| 3. Farmowners multiple peril  | 0               | 594,332                  | 0  | 594,332   | 0                         | 322,043                  | 0                      | 916,375   | 118,739                              |
| 4. Homeowners multiple peril  | 3,936,452       | 1,983,146                | 3,936,452  | 1,983,146   | 2,238,293                 | 963,557                  | 2,238,293              | 2,946,703                                       | 575,643                              |
| 5. Commercial multiple peril  | 1,936,353       | 943,226                  | 1,936,353  | 943,226   | 735,001                   | 404,000                  | 735,001                | 1,347,226                                       | 468,924                              |
| 6. Mortgage guaranty  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 8. Ocean marine   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 9. Inland marine  | 7,000           | 5,600                    | 7,000  | 5,600   | 0                         | 7,097                    | 0                      | 12,697  | 888                                  |
| 10. Financial guaranty  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 11.1 Medical malpractice - occurrence                               | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 11.2 Medical malpractice - claims-made                              | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 12. Earthquake  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 13. Group accident and health                                       | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | (a) 0   | 0                                    |
| 14. Credit accident and health (group and individual)               | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 15. Other accident and health                                       | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | (a) 0   | 0                                    |
| 16. Workers' compensation   | 330,418         | 57,982                   | 330,418  | 57,982  | 587,000                   | 160,800                  | 587,000                | 218,782   | 112,720                              |
| 17.1 Other liability - occurrence                                   | 287,613         | 190,410                  | 287,613  | 190,410   | 385,018                   | 186,400                  | 385,018                | 376,810   | 145,916                              |
| 17.2 Other liability - claims-made                                  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 18.1 Products liability - occurrence                                | 5,002           | 4,001                    | 5,002  | 4,001   | 0                         | 0                        | 0                      | 4,001   | 0                                    |
| 18.2 Products liability - claims-made                               | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 19.1,19.2 Private passenger auto liability                          | 14,937,983      | 11,833,535               | 14,937,983   | 11,833,535  | 7,699,817                 | 4,830,000                | 7,699,817              | 16,663,535                                      | 1,085,470                            |
| 19.3,19.4 Commercial auto liability                                 | 946,496         | 855,461                  | 946,496  | 855,461   | 724,546                   | 408,800                  | 724,546                | 1,264,261                                       | 107,615                              |
| 21. Auto physical damage  | 965,100         | 666,067                  | 965,100  | 666,067   | 266,099                   | 245,600                  | 266,099                | 911,667   | 287,883                              |
| 22. Aircraft (all perils)   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 23. Fidelity  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 24. Surety  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 26. Burglary and theft  | 0               | 1,600                    | 0  | 1,600   | 492                       | 197                      | 492                    | 1,797   | 94                                   |
| 27. Boiler and machinery  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 28. Credit  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 29. International   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 30. Reinsurance - Nonproportional Assumed Property                  | XXX             | 5,878                    | 0  | 5,878   | XXX                       | 0                        | 0                      | 5,878   | 0                                    |
| 31. Reinsurance - Nonproportional Assumed Liability                 | XXX             | 0                        | 0  | 0   | XXX                       | 0                        | 0                      | 0   | 0                                    |
| 32. Reinsurance - Nonproportional Assumed Financial Lines           | XXX             | 0                        | 0  | 0   | XXX                       | 0                        | 0                      | 0   | 0                                    |
| 33. Aggregate write-ins for other lines of business                 | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 34. TOTALS  | 23,549,789      | 17,221,388               | 23,549,789   | 17,221,388  | 12,661,711                | 7,537,999                | 12,661,711             | 24,759,387                                      | 2,915,200                            |
| <b>DETAILS OF WRITE-INS</b>   |                 |                          |  |   |                           |                          |                        |   |                                      |
| 3301.   |                 |                          |  |   |                           |                          |                        |   |                                      |
| 3302.   |                 |                          |  |   |                           |                          |                        |   |                                      |
| 3303.   |                 |                          |  |   |                           |                          |                        |   |                                      |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)       | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |

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

10

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

|  | 1<br>Loss Adjustment<br>Expenses | 2<br>Other Underwriting<br>Expenses | 3<br>Investment<br>Expenses | 4<br>Total     |
|--|----------------------------------|-------------------------------------|-----------------------------|----------------|
| 1. Claim adjustment services:  |                                  |                                     |                             |                |
| 1.1 Direct .....   | 1,703,625                        |                                     |                             | 1,703,625      |
| 1.2 Reinsurance assumed .....  |                                  |                                     |                             | 0              |
| 1.3 Reinsurance ceded .....  | 57,276                           |                                     |                             | 57,276         |
| 1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) .....                                   | 1,646,349                        | 0                                   | 0                           | 1,646,349      |
| 2. Commission and brokerage:   |                                  |                                     |                             |                |
| 2.1 Direct excluding contingent .....  |                                  | 9,032,978                           |                             | 9,032,978      |
| 2.2 Reinsurance assumed excluding contingent .....   |                                  |                                     |                             | 0              |
| 2.3 Reinsurance ceded excluding contingent .....   |                                  | 155,096                             |                             | 155,096        |
| 2.4 Contingent-direct .....  |                                  | 807,209                             |                             | 807,209        |
| 2.5 Contingent-reinsurance assumed .....   |                                  |                                     |                             | 0              |
| 2.6 Contingent-reinsurance ceded .....   |                                  |                                     |                             | 0              |
| 2.7 Policy and membership fees .....   |                                  |                                     |                             | 0              |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....           | 0                                | 9,685,091                           | 0                           | 9,685,091      |
| 3. Allowances to managers and agents .....   |                                  | 110,285                             |                             | 110,285        |
| 4. Advertising .....   |                                  | 22,861                              |                             | 22,861         |
| 5. Boards, bureaus and associations .....  | 9,555                            | 174,514                             |                             | 184,069        |
| 6. Surveys and underwriting reports .....  |                                  | 695,150                             |                             | 695,150        |
| 7. Audit of assureds' records .....  |                                  |                                     |                             | 0              |
| 8. Salary and related items:   |                                  |                                     |                             |                |
| 8.1 Salaries .....   | 1,248,965                        | 2,813,878                           | 198,974                     | 4,261,817      |
| 8.2 Payroll taxes .....  | 95,451                           | 210,065                             | 15,909                      | 321,425        |
| 9. Employee relations and welfare .....  | 185,374                          | 483,262                             | 32,295                      | 700,931        |
| 10. Insurance .....  | 22,071                           | 22,071                              |                             | 44,142         |
| 11. Directors' fees .....  | 17,748                           | 31,720                              | 1,972                       | 51,440         |
| 12. Travel and travel items .....  | 25,705                           | 50,094                              | 4,620                       | 80,419         |
| 13. Rent and rent items .....  | 87,978                           | 63,984                              | 7,998                       | 159,960        |
| 14. Equipment .....  | 112,522                          | 146,650                             | 9,593                       | 268,765        |
| 15. Cost or depreciation of EDP equipment and software .....                               | 258,001                          | 336,014                             | 35,261                      | 629,276        |
| 16. Printing and stationery .....  | 39,244                           | 151,278                             | 9,811                       | 200,333        |
| 17. Postage, telephone and telegraph, exchange and express .....                           | 189,045                          | 269,530                             | 9,359                       | 467,934        |
| 18. Legal and auditing .....   | 56,118                           | 89,944                              | 207,529                     | 353,591        |
| 19. Totals (Lines 3 to 18) .....   | 2,347,777                        | 5,671,300                           | 533,321                     | 8,552,398      |
| 20. Taxes, licenses and fees:  |                                  |                                     |                             |                |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ .....    |                                  | 650,164                             |                             | 650,164        |
| 20.2 Insurance department licenses and fees .....  |                                  | 279,569                             |                             | 279,569        |
| 20.3 Gross guaranty association assessments .....  |                                  | 4,157                               |                             | 4,157          |
| 20.4 All other (excluding federal and foreign income and real estate) .....                |                                  | 26,476                              |                             | 26,476         |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....                      | 0                                | 960,366                             | 0                           | 960,366        |
| 21. Real estate expenses .....   |                                  |                                     |                             | 0              |
| 22. Real estate taxes .....  |                                  |                                     |                             | 0              |
| 23. Reimbursements by uninsured accident and health plans .....                            |                                  |                                     |                             | 0              |
| 24. Aggregate write-ins for miscellaneous expenses .....                                   | 0                                | 16,548                              | 0                           | 16,548         |
| 25. Total expenses incurred .....  | 3,994,126                        | 16,333,305                          | 533,321                     | (a) 20,860,752 |
| 26. Less unpaid expenses - current year .....  | 2,915,200                        | 1,875,111                           |                             | 4,790,311      |
| 27. Add unpaid expenses - prior year .....   | 2,835,200                        | 1,520,587                           | 0                           | 4,355,787      |
| 28. Amounts receivable relating to uninsured accident and health plans, prior year .....   | 0                                | 0                                   | 0                           | 0              |
| 29. Amounts receivable relating to uninsured accident and health plans, current year ..... |                                  |                                     |                             | 0              |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....                               | 3,914,126                        | 15,978,781                          | 533,321                     | 20,426,228     |
| <b>DETAILS OF WRITE-INS</b>  |                                  |                                     |                             |                |
| 2401. Charitable Donations .....   |                                  | 16,548                              |                             | 16,548         |
| 2402. ....   |                                  |                                     |                             |                |
| 2403. ....   |                                  |                                     |                             |                |
| 2498. Summary of remaining write-ins for Line 24 from overflow page .....                  | 0                                | 0                                   | 0                           | 0              |
| 2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above) .....                        | 0                                | 16,548                              | 0                           | 16,548         |

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

**EXHIBIT OF NET INVESTMENT INCOME**

|   | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds  | (a) 1,816,228                 | 1,781,483                  |
| 1.1 Bonds exempt from U.S. tax  | (a) 301,291                   | 365,009                    |
| 1.2 Other bonds (unaffiliated)  | (a) 509,358                   | 510,397                    |
| 1.3 Bonds of affiliates   | (a)                           |                            |
| 2.1 Preferred stocks (unaffiliated)                                     | (b) 63,289                    | 63,289                     |
| 2.11 Preferred stocks of affiliates                                     | (b)                           |                            |
| 2.2 Common stocks (unaffiliated)  | 875,377                       | 855,148                    |
| 2.21 Common stocks of affiliates  |                               |                            |
| 3. Mortgage loans   | (c)                           |                            |
| 4. Real estate  | (d)                           |                            |
| 5. Contract loans   |                               |                            |
| 6. Cash/short-term investments  | (e) 360,488                   | 359,041                    |
| 7. Derivative instruments   | (f)                           |                            |
| 8. Other invested assets  | 1,464                         | 1,164                      |
| 9. Aggregate write-ins for investment income                            | 486                           | 486                        |
| 10. Total gross investment income                                       | 3,927,981                     | 3,936,017                  |
| 11. Investment expenses   |                               | (g) 533,321                |
| 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           |                               | 0                          |
| 16. Total (Lines 11 through 15)   |                               | 533,321                    |
| 17. Net Investment Income - (Line 10 minus Line 16)                     |                               | 3,402,696                  |
| <b>DETAILS OF WRITE-INS</b>   |                               |                            |
| 0901. N.A.M.I.C.  | 486                           | 486                        |
| 0902.   |                               |                            |
| 0903.   |                               |                            |
| 0998. Summary of remaining write-ins for Line 9 from overflow page      | 0                             | 0                          |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)        | 486                           | 486                        |
| 1501.   |                               |                            |
| 1502.   |                               |                            |
| 1503.   |                               |                            |
| 1598. Summary of remaining write-ins for Line 15 from overflow page     |                               | 0                          |
| 1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)        |                               | 0                          |

- (a) Includes \$ (17,761) accrual of discount less \$ 285,623 amortization of premium and less \$ 135,004 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

|  | 1<br>Realized<br>Gain (Loss)<br>On Sales or<br>Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Increases<br>(Decreases)<br>by<br>Adjustment | 4<br>Net Gain (Loss) from<br>Change in Difference<br>Between Basis Book/<br>Adjusted Carrying and<br>Admitted Values | 5<br>Total  |
|--|---|---------------------------------------|---|--|-------------|
| 1. U.S. Government bonds   | 548,345   |                                       |   |  | 548,345     |
| 1.1 Bonds exempt from U.S. tax                                     |   |                                       |   |  | 0           |
| 1.2 Other bonds (unaffiliated)                                     |   |                                       |   |  | 0           |
| 1.3 Bonds of affiliates  |   |                                       |   |  | 0           |
| 2.1 Preferred stocks (unaffiliated)                                |   |                                       | (2,960)   |  | (2,960)     |
| 2.11 Preferred stocks of affiliates                                |   |                                       |   |  | 0           |
| 2.2 Common stocks (unaffiliated)                                   | 2,017,248   |                                       | (11,045,466)                                      |  | (9,028,218) |
| 2.21 Common stocks of affiliates                                   |   |                                       | (30,715)  |  | (30,715)    |
| 3. Mortgage loans  |   |                                       |   |  | 0           |
| 4. Real estate   |   |                                       |   |  | 0           |
| 5. Contract loans  |   |                                       |   |  | 0           |
| 6. Cash/Short-term investments                                     |   |                                       |   |  | 0           |
| 7. Derivative instruments  | 20,650  |                                       |   |  | 20,650      |
| 8. Other invested assets   |   |                                       | (213,638)   |  | (213,638)   |
| 9. Aggregate write-ins for capital gains (losses)                  | 0   | 0                                     | 0   | 0  | 0           |
| 10. Total capital gains (losses)                                   | 2,586,243   | 0                                     | (11,292,779)                                      | 0  | (8,706,536) |
| <b>DETAILS OF WRITE-INS</b>  |   |                                       |   |  |             |
| 0901.  |   |                                       |   |  |             |
| 0902.  |   |                                       |   |  |             |
| 0903.  |   |                                       |   |  |             |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0   | 0                                     | 0   | 0  | 0           |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)   | 0   | 0                                     | 0   | 0  | 0           |

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

|  | 1<br>End of<br>Current Year | 2<br>End of<br>Prior Year | 3<br>Changes for Year<br>(Increase) Decrease |
|--|-----------------------------|---------------------------|--|
| 1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2 .....  | 155,729                     | 79,264                    | (76,465)                                     |
| 2. Other Nonadmitted Assets:   |                             |                           |  |
| 2.1 Bills receivable .....   |                             | 0                         | 0  |
| 2.2 Furniture, equipment and supplies .....                              |                             | 0                         | 0  |
| 2.3 Leasehold improvements .....   |                             | 0                         | 0  |
| 2.4 Loans on personal security, endorsed or not .....                    |                             | 0                         | 0  |
| 3. Total (Lines 2.1 to 2.4) .....  | 0                           | 0                         | 0  |
| 4. Aggregate write-ins for other assets .....                            | 8,523                       | 38,600                    | 30,077                                       |
| 5. Total (Line 1 plus Lines 3 and 4)                                     | 164,252                     | 117,864                   | (46,388)                                     |
| 0401. Travel Advance.....  | 700                         | 700                       | 0  |
| 0402. Notes Receivable.....  | 7,823                       | 37,900                    | 30,077                                       |
| 0403. ....   |                             |                           |  |
| 0498. Summary of remaining write-ins for Line 4 from overflow page ..... | 0                           | 0                         | 0  |
| 0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)             | 8,523                       | 38,600                    | 30,077                                       |

## NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- A. The accompanying financial statement of the company has been prepared in conformity with accounting practices prescribed by the National Association of Insurance Commissioner's *Accounting Practices and Procedures* manual and the state of Ohio.
- B. The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.
- C. Accounting policy disclosure for:
  - 1. Short-term investments are stated at cost.
  - 2. Bonds are stated at amortized cost (scientific amortization method).
  - 3. Common stocks are stated at market.
  - 4. Preferred stocks are stated at market.
  - 5. The company has no mortgage loans.
  - 6. The company has no loan-backed securities.
  - 7. Investments in subsidiaries are stated at statutory equity value.
  - 8. The company has no joint ventures, partnerships, or limited liability companies.
  - 9. The Company wrote covered call options in 2002 to enhance income generation possibilities. These options were recorded as deferred income within a liability account. Expired or exercised options were recorded as capital gains. Market value of options was recorded as a charge to surplus in order to measure the potential economic impact if the company were to purchase options to offset all covered call options written.
  - 10. The company does not utilize anticipated investment income in the premium deficiency calculation.
  - 11. Management utilizes actuarial analyses of losses and loss adjustment expenses to determine reserve adequacy. The company has no exposure for toxic waste cleanup, asbestos-related illnesses or other environmental remediation exposures due to policy form exclusions.

02. Accounting Changes and Corrections of Errors.

No accounting changes or corrections of errors occurred.

03. Business Combinations and Goodwill

The company has no goodwill from business combinations.

04. Discontinued Operations

The company has no discontinued operations.

05. Investments

The company has no mortgage loans, debt restructuring loans, reverse mortgages, loan-backed securities, or stock repurchase agreements.

06. Joint Ventures, Partnerships and Limited Liability Companies

The company has no joint ventures, partnerships, or limited liability companies.

07. Investment Income

The company has no uncollectible accrued investment income.

8. Derivative Instruments

The Company wrote covered call options in 2002 to enhance income generation possibilities. These options were recorded as deferred income within a liability account. Expired or exercised options were recorded as capital gains. Capital gains on options for 2002 were \$20,649. Market value of options was recorded as a charge to surplus in order to measure the potential economic impact if the company were to purchase options to offset all covered call options written.

09. Income Taxes

The company files an individual federal income tax return.

|   | WRM<br><u>2002</u> | WRM<br><u>2001</u> | Increase<br><u>(Decrease)</u> |
|---|--------------------|--------------------|-------------------------------|
| Pre-tax income                            | 2,154,940          | 1,500,657          | 654,283                       |
| Deductible portion of tax-exempt interest | (309,384)          | (261,106)          | (48,278)                      |
| Dividends received deduction              | (520,637)          | (569,787)          | 49,150                        |
| Investment write-downs tax effect         | (2,161,243)        | 1,488,505          | (3,649,748)                   |
| Unearned premium adjustment               | 571,030            | 568,486            | 2,544                         |
| Other, net                                | <u>426,000</u>     | <u>226,698</u>     | <u>199,302</u>                |
| Actual taxable income                     | <u>160,706</u>     | <u>2,953,453</u>   | <u>(2,792,747)</u>            |
| Tax at 34%                                | 54,640             | 1,004,174          | (949,534)                     |
| Environmental tax                         | <u>1,430</u>       | <u>1,980</u>       | <u>(550)</u>                  |
| Total statutory rate tax                  | 56,070             | 1,006,154          | (950,084)                     |
| AMT adjustment                            | 105,581            |                    |                               |
| Underaccrual/(Overaccrual) prior          | <u>195,622</u>     | <u>38,840</u>      | <u>156,782</u>                |
| Annual Statement Page 4                   | <u>357,273</u>     | <u>1,044,994</u>   | <u>(687,721)</u>              |

No operating loss carryforwards exist. There would be available for recoupment, in the event of future loss, for income taxes incurred as follows:

|                        |             |
|------------------------|-------------|
| Current year:          | \$1,095,850 |
| First preceding year:  | \$1,044,994 |
| Second preceding year: | \$1,517,104 |

Deferred Taxes

|   | <u>2002</u> | <u>2001</u> | <u>Change</u> |
|---|-------------|-------------|---------------|
| 2002 Surplus Effect                                   |             |             |               |
| Change in Deferred Tax-unrealized                     | (3,344,206) | (6,374,879) | 3,030,673     |
| Change in Deferred Tax-unearned                       | 1,497,850   | 1,303,788   | 194,062       |
| Change in Deferred Tax-deferred comp                  | 459,816     | 390,331     | 69,485        |
| Change in Deferred tax-loss discount                  | 783,029     | 749,120     | 33,909        |
| Change in Deferred Tax-sal/sub                        | (519,023)   | (677,101)   | 158,078       |
| Change in Deferred Tax-retiree health care accrual    | 138,176     | 80,152      | 58,024        |
| Change in Deferred Tax-Deferred Options               | (119,659)   | -           | (119,659)     |
| Change in Deferred Tax-Deferred Options market change | 51,520      | -           | 51,520        |
| Total 2002 Surplus Effect                             | (1,052,498) | (4,528,589) | 3,476,091     |

All deferred tax assets were admitted; all deferred liabilities were recognized.

10. Information Concerning Parent, Subsidiaries and Affiliates

The company participates in a pooling agreement with Lightning Rod Mutual Insurance Company ("Lightning") and Sonnenberg Mutual Insurance Company, ("Sonnenberg") whereby net premiums, losses, underwriting expenses and related balance sheet amounts are shared on a 40%/55%/5% basis, respectively. Lightning Rod assumes 100% of the business from Western and Sonnenberg and cedes 40% to Western and 5% to Sonnenberg.

11. Debt

The company has no loans outstanding or surplus notes.

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

Employee Retirement: The company has a 401(k) plan that is available to all employees on entry dates after the completion of one year of continuous service.

Deferred Compensation: The company has a non-qualified Voluntary Deferred Compensation plan for senior executive officers. The plan allows for deferral of annual base salaries, payouts under the annual incentive plan, and payouts under the "Performance Share Plan for Key Executives".

13. Capital and Surplus and Shareholders' and Policyholders' Dividend Restrictions.

The company is a mutual company, thus no stock or surplus dividends are applicable.

14. Contingencies

The company has no material contingent liabilities, has committed no reserves to cover any contingent liabilities, and has no pending legal proceedings beyond the ordinary course of business.

15. Leases.

The company has no leases that would have a material financial effect.

16. Information about Financial Instruments With Off-Balance-Sheet Risk and Financial Instruments With Concentrations of Credit Risk.

The company has no off-balance-sheet risk or credit risk exposure.

## NOTES TO FINANCIAL STATEMENTS

17. Sale, Transfer, and Servicing of Financial Assets and Extinguishment of Liabilities  
The company has no receivable transfer, financial asset servicing, or wash sale transactions.
18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans  
The company has a fully insured accident and health plan.
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators  
The company has no managing general agents or third party administrators.
20. Other Items  
The company has no extraordinary items or unusual items.
21. Events Subsequent.  
There were no events occurring subsequent to the close of the books as of December 31, 2001 that would have a material effect on the financial condition of the company.
22. Reinsurance  
There were no uncollectible reinsurance balances written off and no commutations of ceded reinsurance. The company has no retroactive reinsurance agreements.
23. Retrospectively Rated Contracts and Contracts Subject to Redetermination  
The company has no retrospectively rated contracts or contracts subject to redetermination.
24. Change in Incurred Losses and Loss Adjustment Expense  
There were no changes to incurred losses or loss adjustment expenses ascribed to insured events of prior years nor retrospective premiums.
25. Intercompany Pooling Agreements.  
Lightning Rod, NAIC number 26123, 55%, Western Reserve, NAIC number 26131, 40%, and Sonnenberg, NAIC number 10271, 5%, participate in a pooling agreement for all lines of business. Lightning Rod is the lead company.
26. Structured Settlements.  
The company has two structured settlements annuities that total \$397,155.
27. Health Care Receivables  
Not applicable.
28. Participating Policies  
Not applicable.
29. Premium Deficiency Reserves  
Not applicable.
30. High Deductibles  
The company has no reserve for high deductible credits.
31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses.  
The company does not discount any loss or adjustment expense reserves.
32. Asbestos/Environmental Reserves.  
The company does not have asbestos or environmental reserves.
33. Subscriber Savings Accounts.  
Not applicable.
34. Multiple Peril Crop Insurance  
The company does not write crop insurance.

## SUMMARY INVESTMENT SCHEDULE

| Investment Categories   | Gross Investment Holdings |                 | Admitted Assets as Reported in the Annual Statement |                 |
|---|---------------------------|-----------------|---|-----------------|
|   | 1<br>Amount               | 2<br>Percentage | 3<br>Amount   | 4<br>Percentage |
| 1. Bonds:   |                           |                 |   |                 |
| 1.1 U.S. Treasury securities .....  | 37,533,588                | 37.245          | 37,533,588  | 37.245          |
| 1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):                            |                           |                 |   |                 |
| 1.21 Issued by U.S. government agencies .....   |                           | 0.000           |   | 0.000           |
| 1.22 Issued by U.S. government sponsored agencies .....   |                           | 0.000           |   | 0.000           |
| 1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....                                  |                           | 0.000           |   | 0.000           |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:                   |                           |                 |   |                 |
| 1.41 States, territories and possessions general obligations .....  | 3,639,398                 | 3.611           | 3,639,398   | 3.611           |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations ..... | 5,109,070                 | 5.070           | 5,109,070   | 5.070           |
| 1.43 Revenue and assessment obligations .....   |                           | 0.000           |   | 0.000           |
| 1.44 Industrial development and similar obligations .....   |                           | 0.000           |   | 0.000           |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):   |                           |                 |   |                 |
| 1.51 Pass-through securities:   |                           |                 |   |                 |
| 1.511 Guaranteed by GNMA .....  | 6,539                     | 0.006           | 6,539   | 0.006           |
| 1.512 Issued by FNMA and FHLMC .....  |                           | 0.000           |   | 0.000           |
| 1.513 Privately issued .....  |                           | 0.000           |   | 0.000           |
| 1.52 CMOs and REMICs:   |                           |                 |   |                 |
| 1.521 Issued by FNMA and FHLMC .....  |                           | 0.000           |   | 0.000           |
| 1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....                     |                           | 0.000           |   | 0.000           |
| 1.523 All other privately issued .....  |                           | 0.000           |   | 0.000           |
| 2. Other debt and other fixed income securities (excluding short-term):   |                           |                 |   |                 |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....                              | 9,597,481                 | 9.524           | 9,597,481   | 9.524           |
| 2.2 Unaffiliated foreign securities .....   |                           | 0.000           |   | 0.000           |
| 2.3 Affiliated securities .....   |                           | 0.000           |   | 0.000           |
| 3. Equity interests:  |                           |                 |   |                 |
| 3.1 Investments in mutual funds .....   |                           | 0.000           |   | 0.000           |
| 3.2 Preferred stocks:   |                           |                 |   |                 |
| 3.21 Affiliated .....   |                           | 0.000           |   | 0.000           |
| 3.22 Unaffiliated .....   | 809,120                   | 0.803           | 809,120   | 0.803           |
| 3.3 Publicly traded equity securities (excluding preferred stocks):   |                           |                 |   |                 |
| 3.31 Affiliated .....   | 206,788                   | 0.205           | 206,788   | 0.205           |
| 3.32 Unaffiliated .....   | 31,783,751                | 31.539          | 31,783,751  | 31.539          |
| 3.4 Other equity securities:  |                           |                 |   |                 |
| 3.41 Affiliated .....   |                           | 0.000           |   | 0.000           |
| 3.42 Unaffiliated .....   | 63,968                    | 0.063           | 63,968  | 0.063           |
| 3.5 Other equity interests including tangible personal property under lease:  |                           |                 |   |                 |
| 3.51 Affiliated .....   |                           | 0.000           |   | 0.000           |
| 3.52 Unaffiliated .....   |                           | 0.000           |   | 0.000           |
| 4. Mortgage loans:  |                           |                 |   |                 |
| 4.1 Construction and land development .....   |                           | 0.000           |   | 0.000           |
| 4.2 Agricultural .....  |                           | 0.000           |   | 0.000           |
| 4.3 Single family residential properties .....  |                           | 0.000           |   | 0.000           |
| 4.4 Multifamily residential properties .....  |                           | 0.000           |   | 0.000           |
| 4.5 Commercial loans .....  |                           | 0.000           |   | 0.000           |
| 5. Real estate investments:   |                           |                 |   |                 |
| 5.1 Property occupied by the company .....  |                           | 0.000           | 0   | 0.000           |
| 5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....   |                           | 0.000           | 0   | 0.000           |
| 5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....                         |                           | 0.000           | 0   | 0.000           |
| 6. Policy loans .....   |                           | 0.000           |   | 0.000           |
| 7. Receivables for securities .....   |                           | 0.000           | 0   | 0.000           |
| 8. Cash and short-term investments .....  | 10,838,446                | 10.755          | 10,838,446  | 10.755          |
| 9. Other invested assets .....  | 1,186,848                 | 1.178           | 1,186,848   | 1.178           |
| 10. Total invested assets   | 100,774,997               | 100.000         | 100,774,997   | 100.000         |

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [ X ] No [ ] NA [ ]
- 1.3 State Regulating? ..... Ohio.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....  
 If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2001
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/2001
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....09/15/2002
- 3.4 By what department or departments? Ohio.....
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? ..... Yes [ ] No [ X ]
- 4.12 renewals? ..... Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? ..... Yes [ ] No [ X ]
- 4.22 renewals? ..... Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
| .....               | .....                  | .....                  |
| .....               | .....                  | .....                  |

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) ..... Yes [ ] No [ X ]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control; .....
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

| 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
| .....            | .....               |
| .....            | .....               |

# GENERAL INTERROGATORIES

(continued)

- 8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
KPMG Peat Marwick 191 W.Nationwide Blvd. Columbus, Ohio 43215.....
- 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?  
Timothy A. Paddock, FCAS, MAAA, vice-president, Western Reserver Mutual Casualty Company.....
- 10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 10.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

## 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 likely to conflict with the official duties of such person?. Yes [ X ] No [ ]

## FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
  - 14.11 To directors or other officers .. \$ .....0
  - 14.12 To stockholders not officers ... \$ .....0
  - 14.13 Trustees, supreme or grand (Fraternal only) ..... \$ .....0
- 14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
  - 14.21 To directors or other officers ... \$ .....0
  - 14.22 To stockholders not officers .... \$ .....0
  - 14.23 Trustees, supreme or grand (Fraternal only) ..... \$ .....0
- 15.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this 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 of these obligations.
- 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                           | 2                            | 3                   | 4                            | 5                         |     | 6                         |     |
|-----------|-----------------------------|------------------------------|---------------------|------------------------------|---------------------------|-----|---------------------------|-----|
|           | Number of Shares Authorized | Number of Shares Outstanding | Par Value Per Share | Redemption Price if Callable | Is Dividend Rate Limited? |     | Are Dividends Cumulative? |     |
|           |                             |                              |                     |                              | Yes                       | No  | Yes                       | No  |
| Preferred | 0                           | 0                            | 0.000               | 0                            | [ ]                       | [ ] | [ ]                       | [ ] |
| Common    | 0                           | 0                            | 0.000               | 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 [ ] No [ X ]

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

Merrill Lynch, Columbus, Ohio

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 other securities restricted as to sale | \$ | ..... |
| 19.29 | Other  | \$ | ..... |

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

|       |       |       |       |
|-------|-------|-------|-------|
| 19.31 | ..... | 19.35 | ..... |
| 19.32 | ..... | 19.36 | ..... |
| 19.33 | ..... | 19.37 | ..... |
| 19.34 | ..... | 19.38 | ..... |
|       |       | 19.39 | ..... |

For categories (19.21) and (19.23) above, and for any other 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                     | 2           | 3      |
|-----------------------|-------------|--------|
| Nature of Restriction | Description | 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 [ ] NA [ 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                    | 2                   |
|----------------------|---------------------|
| Name of Custodian(s) | Custodian's Address |
| Merrill Lynch.....   | Columbus, Ohio..... |
| .....                | .....               |

## 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<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |
|              |                  |                              |

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

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

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |
|                    |                    |                     |             |

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

| 1<br>Central Registration<br>Depository Number(s) | 2<br>Name | 3<br>Address |
|---|-----------|--------------|
|   |           |              |
|   |           |              |

### OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$ .....456,612

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<br>Name                      | 2<br>Amount Paid |
|--------------------------------|------------------|
| Insurance Services Office..... | \$ .....259,095  |
|                                | \$ .....         |
|                                | \$ .....         |

24.1 Amount of payments for legal expenses, if any?..... \$ .....10,580

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<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | \$ .....         |
|           | \$ .....         |
|           | \$ .....         |

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....0

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

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | \$ .....         |
|           | \$ .....         |
|           | \$ .....         |

# GENERAL INTERROGATORIES

(continued)

## PART 2 - PROPERTY & 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 Item (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 ..... \$ .....0
- 1.62 Total incurred claims ..... \$ .....0
- 1.63 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.64 Total premium earned ..... \$ .....0
- 1.65 Total incurred claims ..... \$ .....0
- 1.66 Number of covered lives ..... \$ .....0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned ..... \$ .....0
- 1.72 Total incurred claims ..... \$ .....0
- 1.73 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.74 Total premium earned ..... \$ .....0
- 1.75 Total incurred claims ..... \$ .....0
- 1.76 Number of covered lives ..... \$ .....0
- 2.1 Does the reporting entity issue both participating and non-participating policies? ..... Yes [ ] No [ X ]
- 2.2 If yes, state the amount of calendar year net premiums written on:
- 2.21 Participating policies ..... \$ .....
- 2.22 Non-participating policies ..... \$ .....
3. For Mutual Reporting Entities and Reciprocal Exchanges Only:
- 3.1 Does the reporting entity issue assessable policies? ..... Yes [ ] No [ X ]
- 3.2 Does the reporting entity issue non-assessable policies? ..... Yes [ X ] No [ ]
- 3.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? ..... %
- 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 [ ] NA [ ]
- 4.22 As a direct expense of the Exchange ..... Yes [ ] No [ ] NA [ ]
- 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? .....
- The Company purchased clash cover for \$4 million excess of \$1 million. The Company avoids providing coverage to companies with large numbers of employees .....
- 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. ....
- Computer risk assessment models (RMS RiskLink and Guy Carpenter APOTH) were completed by the Company's reinsurance broker and have been utilized to measure the probable maximum loss impact on surplus for windstorm (\$3.7 million) and earthquake (\$1.7 million) for Western Reserve Group for a 100 year event. The group's coverage of the excess of \$2.5 million with an upper limit of \$35 million is subject to a 10% retention by the company .....
- 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? .....
- The Company purchased catastrophe and aggregate stop loss reinsurance to limit losses .....
- 5.4 Does the reporting entity carry catastrophe reinsurance protection, with provision for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? ..... Yes [ X ] No [ ]
- 5.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss. ....
- 6.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provision)? ..... Yes [ ] No [ X ]
- 6.2 If yes, indicate the number of reinsurance contracts containing such provisions: .....

**GENERAL INTERROGATORIES**  
**PART 2 - PROPERTY & CASUALTY INTERROGATORIES (continued)**

- 7.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on 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 entity would have been required to charge had it retained the risks. Has this been done?..... Yes [ ] No [ ] NA [ X ]
- 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 [ X ] NA [ ]
- 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?..... \$ .....0
- 11.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year?..... Yes [ ] No [ X ]
- 11.3 If yes, what amount?..... \$ .....
- 12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):..... \$ .....175,000
- 12.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?..... Yes [ ] No [ X ]
- 12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.....7
- 13.1 Has this reporting entity guaranteed any financed premium accounts?..... Yes [ ] No [ X ]
- 13.2 If yes, give full information .....
- 14.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?..... Yes [ X ] No [ ]
- 14.11 Name of real estate holding company .....
- 14.12 Number of parcels involved.....0
- 14.13 Total book/adjusted carrying value..... \$ .....0
- 14.2 If yes, provide explanation:  
    The company holds REITs in its stock portfolio. ....
- 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|-----------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 15.11 Home.....       | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.12 Products.....   | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.13 Automobile..... | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.14 Other*.....     | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |

\* Disclose type of coverage:

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY**

**FIVE-YEAR HISTORICAL DATA**

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

|   | 1<br>2002   | 2<br>2001   | 3<br>2000   | 4<br>1999   | 5<br>1998   |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)   |             |             |             |             |             |
| 1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)  | 49,656,609  | 44,298,708  | 38,932,917  | 37,709,551  | 39,131,880  |
| 2. Property Lines (Lines 1, 2, 9, 12, 21 & 26)  | 35,968,210  | 31,780,936  | 27,593,940  | 25,347,165  | 25,653,925  |
| 3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)  | 44,058,627  | 37,188,361  | 33,879,196  | 29,981,556  | 30,174,030  |
| 4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)   | 0           | 0           | 0           | 0           | 0           |
| 5. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)   | 0           | 0           | 0           | 0           | 0           |
| 6. Total (Line 34)  | 129,683,446 | 113,268,005 | 100,406,053 | 93,038,272  | 94,959,835  |
| <b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)   |             |             |             |             |             |
| 7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)  | 20,770,656  | 18,740,533  | 16,878,364  | 16,475,214  | 16,712,956  |
| 8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)  | 16,203,135  | 14,309,056  | 12,568,573  | 11,724,946  | 11,745,993  |
| 9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)  | 18,509,846  | 15,675,345  | 14,382,360  | 12,198,926  | 11,944,835  |
| 10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)  | 0           | 0           | 0           | 0           | 0           |
| 11. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)  | 0           | 0           | 0           | 0           | 0           |
| 12. Total (Line 34)   | 55,483,637  | 48,724,934  | 43,829,297  | 40,399,086  | 40,403,784  |
| <b>Statement of Income</b> (Page 4)   |             |             |             |             |             |
| 13. Net Underwriting Gain (Loss) (Line 8)   | (3,891,093) | (4,661,048) | (3,098,617) | (1,743,820) | (2,524,238) |
| 14. Net Investment Gain (Loss) (Line 11)  | 5,988,939   | 5,643,702   | 8,820,888   | 7,135,545   | 8,923,077   |
| 15. Total Other Income (Line 15)  | 57,094      | 518,003     | (361,364)   | (496,170)   | (487,651)   |
| 16. Dividends to Policyholders (Line 17)  | 0           | 0           | 0           | 0           | 0           |
| 17. Federal and Foreign Income Taxes Incurred (Line 19)   | 357,273     | 1,044,994   | 1,517,104   | 1,394,012   | 1,527,457   |
| 18. Net Income (Line 20)  | 1,797,667   | 455,663     | 3,843,803   | 3,501,543   | 4,383,731   |
| <b>Balance Sheet Lines</b> (Pages 2 and 3)  |             |             |             |             |             |
| 19. Total Admitted Assets excluding Protected Cell (Page 2, Line 26, Col. 3)  | 116,949,533 | 121,614,972 | 124,107,690 | 121,843,685 | 115,699,593 |
| 20. Agents' Balances or Uncollected Premiums (Page 2, Col. 3)   |             |             |             |             |             |
| 20.1 In Course of Collection (Line 10.1)  | 0           | 0           | (581,488)   | (523,536)   | (496,915)   |
| 20.2 Deferred and not yet due (Line 10.2)   | 15,082,184  | 9,328,739   | 7,353,348   | 6,084,450   | 5,856,401   |
| 20.3 Accrued Retrospective Premiums (Line 10.3)   | 0           | 0           | 0           | 0           | 0           |
| 21. Total Liabilities excluding Protected Cell (Page 3, Line 24)  | 56,920,581  | 55,369,081  | 43,608,244  | 43,123,638  | 43,091,108  |
| 22. Losses (Page 3, Lines 1 and 2)  | 24,759,387  | 23,531,854  | 20,433,058  | 20,523,340  | 21,576,623  |
| 23. Loss Adjustment Expenses (Page 3, Line 3)   | 2,915,200   | 2,835,200   | 3,495,200   | 4,575,200   | 4,575,200   |
| 24. Unearned premiums (Page 3, Line 9)  | 22,027,230  | 19,173,359  | 16,329,620  | 14,596,746  | 13,945,923  |
| 25. Capital Paid Up (Page 3, Lines 28 & 29)   | 0           | 0           | 0           | 0           | 0           |
| 26. Surplus as Regards Policyholders (Page 3, Line 35)  | 60,028,952  | 66,245,891  | 80,499,446  | 78,720,047  | 72,608,486  |
| <b>Risk-Based Capital Analysis</b>  |             |             |             |             |             |
| 27. Total Adjusted Capital  | 60,028,952  | 66,245,891  | 80,499,446  | 78,720,047  | 72,608,486  |
| 28. Authorized Control Level Risk-Based Capital   | 5,557,480   | 6,813,135   | 7,043,661   | 6,654,445   | 6,169,367   |
| <b>Percentage Distribution of Cash and Invested Assets</b><br>(Page 2, Col. 3)<br>(Item divided by Page 2, Line 9, Col. 3) x 100.0                                  |             |             |             |             |             |
| 29. Bonds (Line 1)  | 55.5        | 47.3        | 47.6        | 48.1        | 48.6        |
| 30. Stocks (Lines 2.1 & 2.2)  | 32.6        | 44.2        | 47.9        | 49.0        | 46.3        |
| 31. Mortgage Loans on Real Estate (Lines 3.1 and 3.2)   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| 32. Real Estate (Lines 4.1, 4.2 & 4.3)  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| 33. Cash and Short-Term Investments (Line 5)  | 10.8        | 7.5         | 4.2         | 2.8         | 5.1         |
| 34. Other Invested Assets (Line 6)  | 1.2         | 1.0         | 0.3         | 0.0         | 0.0         |
| 35. Receivable for Securities (Line 7)  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| 36. Aggregate Write-Ins for Invested Assets (Line 8)  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| 37. Cash and Invested Assets (Line 9)   | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>   |             |             |             |             |             |
| 38. Affiliated Bonds (Schedule D, Summary, Line 25, Col. 1)   | 0           | 0           | 0           | 0           | 0           |
| 39. Affiliated Preferred Stocks (Schedule D, Summary, Line 39, Col. 1)  | 0           | 0           | 0           | 0           | 0           |
| 40. Affiliated Common Stocks (Schedule D, Summary, Line 53, Col. 2)   | 206,788     | 237,503     | 249,575     | 233,043     | 242,053     |
| 41. Affiliated Short-Term Investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)  | 0           | 0           | 0           | 0           | 0           |
| 42. Affiliated Mortgage Loans on Real Estate  | 0           | 0           | 0           | 0           | 0           |
| 43. All Other Affiliated  | 0           | 0           | 0           | 0           | 0           |
| 44. Total of above Lines 38 to 43   | 206,788     | 237,503     | 249,575     | 233,043     | 242,053     |
| 45. Percentage of Investments in Parent, Subsidiaries and Affiliates to Surplus as Regards Policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0) | 0.3         | 0.4         | 0.3         | 0.3         | 0.3         |

**FIVE-YEAR HISTORICAL DATA**

(Continued)

|   | 1<br>2002    | 2<br>2001    | 3<br>2000   | 4<br>1999  | 5<br>1998  |
|---|--------------|--------------|-------------|------------|------------|
| <b>Capital and Surplus Accounts (Page 4)</b>  |              |              |             |            |            |
| 46. Net Unrealized Capital Gains (Losses) (Line 23) .....   | (11,292,779) | (9,281,595)  | (2,110,740) | 2,552,282  | 744,572    |
| 47. Dividends to Stockholders (Line 34) .....   | 0            | 0            | 0           | 0          | 0          |
| 48. Change in surplus as regards policyholders for the year (Line 37) .....   | (6,216,939)  | (14,253,555) | 1,779,399   | 6,111,561  | 4,892,033  |
| <b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>  |              |              |             |            |            |
| 49. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....   | 32,157,599   | 28,484,078   | 26,418,650  | 28,980,689 | 30,299,895 |
| 50. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....   | 22,229,564   | 20,175,546   | 19,505,812  | 15,091,145 | 16,277,794 |
| 51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....   | 27,775,952   | 25,565,634   | 25,966,072  | 19,165,285 | 21,650,020 |
| 52. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....  | 0            | 0            | 0           | 0          | 0          |
| 53. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....  | 0            | 0            | 71          | 1,762      | 800        |
| 54. Total (Line 34) .....   | 82,163,115   | 74,225,258   | 71,890,605  | 63,238,881 | 68,228,509 |
| <b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>   |              |              |             |            |            |
| 55. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....   | 12,757,683   | 11,937,147   | 11,128,088  | 12,046,942 | 12,496,959 |
| 56. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....   | 9,900,982    | 8,651,231    | 8,912,225   | 6,953,034  | 7,520,405  |
| 57. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....   | 12,307,230   | 10,182,447   | 10,705,282  | 7,679,906  | 9,063,907  |
| 58. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....  | 0            | 0            | 0           | 0          | 0          |
| 59. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....  | 0            | 0            | (41)        | 1,762      | 800        |
| 60. Total (Line 34) .....   | 34,965,895   | 30,770,825   | 30,745,554  | 26,681,644 | 29,082,071 |
| <b>Operating Percentages (Page 4)<br/>(Item divided by Page 4, Line 1) x 100.0</b>  |              |              |             |            |            |
| 61. Premiums Earned (Line 1) .....  | 100.0        | 100.0        | 100.0       | 100.0      | 100.0      |
| 62. Losses Incurred (Line 2) .....  | 68.8         | 73.8         | 72.8        | 64.5       | 66.3       |
| 63. Loss Expenses Incurred (Line 3) .....   | 7.6          | 5.9          | 6.2         | 8.6        | 10.0       |
| 64. Other Underwriting Expenses Incurred (Line 4) .....   | 31.0         | 30.4         | 28.3        | 31.3       | 30.0       |
| 65. Net Underwriting gain (loss) (Line 8) .....   | (7.4)        | (10.2)       | (7.4)       | (4.4)      | (6.3)      |
| <b>Other Percentages</b>  |              |              |             |            |            |
| 66. Other Underwriting Expenses to Net Premiums Written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0) .....  | 29.3         | 27.6         | 28.0        | 32.0       | 31.1       |
| 67. Losses and Loss Expenses Incurred to Premiums Earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....  | 76.4         | 79.8         | 79.0        | 73.1       | 76.3       |
| 68. Net Premiums Written to Policyholders' Surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0) .....  | 92.4         | 73.6         | 54.4        | 51.3       | 55.6       |
| <b>One Year Loss Development (000 omitted)</b>  |              |              |             |            |            |
| 69. Development in Estimated Losses and Loss Expenses Incurred Prior to Current Year (Schedule P - Part 2 - Summary, Line 12, Col. 11) .....  | (3,629)      | (3,446)      | (3,195)     | (3,717)    | (4,179)    |
| 70. Percent of Development of Loss and Loss Expenses Incurred to Policyholders' Surplus of Previous Year End (Line 69 above divided by Page 4, Line 21, Col. 1 x 100.0) .....                 | (5.5)        | (4.3)        | (4.1)       | (5.1)      | (6.2)      |
| <b>Two Year Loss Development (000 omitted)</b>  |              |              |             |            |            |
| 71. Development in Estimated Losses and Loss Expenses Incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) .....                          | (4,760)      | (5,597)      | (4,446)     | (4,953)    | (3,634)    |
| 72. Percent of Development of Loss and Loss Expenses Incurred to Reported Policyholders' Surplus of Second Previous Year End (Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0) ..... | (5.9)        | (7.1)        | (6.1)       | (7.3)      | (6.7)      |

## SCHEDULE D - SUMMARY BY COUNTRY

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

| Description  | 1<br>Book/Adjusted<br>Carrying Value   | 2<br>Fair Value (a)                | 3<br>Actual Cost                   | 4<br>Par Value of Bonds            |
|--|--|------------------------------------|------------------------------------|------------------------------------|
| <b>BONDS</b>   |  |                                    |                                    |                                    |
| Governments<br>(Including all obligations guaranteed<br>by governments)  | 1. United States ..... 37,540,127<br>2. Canada ..... 0<br>3. Other Countries ..... 0<br>4. Totals ..... 37,540,127     | 39,239,897<br>0<br>0<br>39,239,897 | 37,866,208<br>0<br>0<br>37,866,208 | 37,306,591<br>0<br>0<br>37,306,591 |
| States, Territories and Possessions<br>(Direct and guaranteed)   | 5. United States ..... 3,639,398<br>6. Canada ..... 0<br>7. Other Countries ..... 0<br>8. Totals ..... 3,639,398       | 3,639,398<br>0<br>0<br>3,639,398   | 3,648,657<br>0<br>0<br>3,648,657   | 3,575,000<br>0<br>0<br>3,575,000   |
| Political Subdivisions of States,<br>Territories and Possessions<br>(Direct and guaranteed)  | 9. United States ..... 5,109,070<br>10. Canada ..... 0<br>11. Other Countries ..... 0<br>12. Totals ..... 5,109,070    | 5,121,276<br>0<br>0<br>5,121,276   | 5,078,057<br>0<br>0<br>5,078,057   | 5,045,000<br>0<br>0<br>5,045,000   |
| Special revenue and special assessment<br>obligations and all non-guaranteed<br>obligations of agencies and authorities of<br>governments and their political subdivisions | 13. United States ..... 0<br>14. Canada ..... 0<br>15. Other Countries ..... 0<br>16. Totals ..... 0                   | 0<br>0<br>0<br>0                   | 0<br>0<br>0<br>0                   | 0<br>0<br>0<br>0                   |
| Public Utilities (unaffiliated)  | 17. United States ..... 0<br>18. Canada ..... 0<br>19. Other Countries ..... 0<br>20. Totals ..... 0                   | 0<br>0<br>0<br>0                   | 0<br>0<br>0<br>0                   | 0<br>0<br>0<br>0                   |
| Industrial and Miscellaneous and Credit Tenant<br>Loans (unaffiliated)   | 21. United States ..... 9,597,481<br>22. Canada ..... 0<br>23. Other Countries ..... 0<br>24. Totals ..... 9,597,481   | 10,445,825<br>0<br>0<br>10,445,825 | 9,506,432<br>0<br>0<br>9,506,432   | 9,860,608<br>0<br>0<br>9,860,608   |
| Parent, Subsidiaries and Affiliates  | 25. Totals ..... 0<br>26. <b>Total Bonds</b> ..... 55,886,076  | 0<br>58,446,396                    | 0<br>56,099,354                    | 0<br>55,787,199                    |
| <b>PREFERRED STOCKS</b>  |  |                                    |                                    |                                    |
| Public Utilities (unaffiliated)  | 27. United States ..... 172,000<br>28. Canada ..... 0<br>29. Other Countries ..... 0<br>30. Totals ..... 172,000       | 172,000<br>0<br>0<br>172,000       | 200,005<br>0<br>0<br>200,005       |                                    |
| Banks, Trust and Insurance Companies<br>(unaffiliated)   | 31. United States ..... 637,120<br>32. Canada ..... 0<br>33. Other Countries ..... 0<br>34. Totals ..... 637,120       | 637,120<br>0<br>0<br>637,120       | 599,586<br>0<br>0<br>599,586       |                                    |
| Industrial and Miscellaneous (unaffiliated)  | 35. United States ..... 0<br>36. Canada ..... 0<br>37. Other Countries ..... 0<br>38. Totals ..... 0                   | 0<br>0<br>0<br>0                   | 0<br>0<br>0<br>0                   |                                    |
| Parent, Subsidiaries and Affiliates  | 39. Totals ..... 0<br>40. <b>Total Preferred Stocks</b> ..... 809,120  | 0<br>809,120                       | 0<br>799,591                       |                                    |
| <b>COMMON STOCKS</b>   |  |                                    |                                    |                                    |
| Public Utilities (unaffiliated)  | 41. United States ..... 2,672,308<br>42. Canada ..... 0<br>43. Other Countries ..... 0<br>44. Totals ..... 2,672,308   | 2,672,308<br>0<br>0<br>2,672,308   | 1,697,757<br>0<br>0<br>1,697,757   |                                    |
| Banks, Trust and Insurance Companies<br>(unaffiliated)   | 45. United States ..... 6,366,982<br>46. Canada ..... 0<br>47. Other Countries ..... 0<br>48. Totals ..... 6,366,982   | 6,366,982<br>0<br>0<br>6,366,982   | 2,923,810<br>0<br>0<br>2,923,810   |                                    |
| Industrial and Miscellaneous (unaffiliated)  | 49. United States ..... 22,808,429<br>50. Canada ..... 0<br>51. Other Countries ..... 0<br>52. Totals ..... 22,808,429 | 22,808,429<br>0<br>0<br>22,808,429 | 17,530,570<br>0<br>0<br>17,530,570 |                                    |
| Parent, Subsidiaries and Affiliates  | 53. Totals ..... 206,788<br>54. <b>Total Common Stocks</b> ..... 32,054,507  | 206,788<br>32,054,507              | 76,000<br>22,228,137               |                                    |
|  | 55. <b>Total Stocks</b> ..... 32,863,627<br>56. <b>Total Bonds and Stocks</b> ..... 88,749,703                         | 32,863,627<br>91,310,023           | 23,027,728<br>79,127,082           |                                    |

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....10,738,304 .

## SCHEDULE D - VERIFICATION BETWEEN YEARS

|   |   |
|---|---|
| 1. Book/adjusted carrying value of bonds and stocks, prior year ..... 101,039,215             | 6. Foreign Exchange Adjustment:   |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3 ..... 55,518,121                       | 6.1 Column 17, Part 1 ..... 0   |
| 3. Increase (decrease) by adjustment:   | 6.2 Column 13, Part 2, Sec. 1 ..... 0                                     |
| 3.1 Column 16, Part 1 ..... (294,206)   | 6.3 Column 11, Part 2, Sec. 2 ..... 0                                     |
| 3.2 Column 12, Part 2, Sec. 1 ..... (2,960)   | 6.4 Column 11, Part 4 ..... 0   |
| 3.3 Column 10, Part 2, Sec. 2 ..... (4,565,588)   | 7. Book/adjusted carrying value at end of current period ..... 88,749,703 |
| 3.4 Column 10, Part 4 ..... (6,519,772) ..... (11,382,526)                                    | 8. Total valuation allowance ..... 0                                      |
| 4. Total gain (loss), Col. 14, Part 4 ..... 2,565,593   | 9. Subtotal (Lines 7 plus 8) ..... 88,749,703                             |
| 5. Deduct consideration for bonds and stocks disposed of<br>Column 6, Part 4 ..... 58,990,700 | 10. Total nonadmitted amounts ..... 0                                     |
|   | 11. Statement value of bonds and stocks, current period ..... 88,749,703  |

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY

**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<br>Number of Claims Reported - Direct and Assumed |
|--|-------------------------|------------|------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded | 3<br>Net (Cols. 1 - 2) | Loss Payments                  |            | Defense and Cost Containment Payments |            | Adjusting and Other Payments |            | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) |  |
|  |                         |            |                        | 4<br>Direct and Assumed        | 5<br>Ceded | 6<br>Direct and Assumed               | 7<br>Ceded | 8<br>Direct and Assumed      | 9<br>Ceded |  |  |  |
|  |                         |            |                        |                                |            |                                       |            |                              |            |  |  |  |
| 1. Prior   | XXX                     | XXX        | XXX                    | 77                             | 32         | 16                                    | 7          | 6                            | 0          | 6                                      | 60   | XXX  |
| 2. 1993  | 28,560                  | 5,873      | 22,687                 | 28,322                         | 4,853      | 2,408                                 | 169        | 1,290                        | 0          | 1,161                                  | 26,998   | XXX  |
| 3. 1994  | 31,038                  | 3,311      | 27,727                 | 31,138                         | 2,466      | 2,736                                 | 78         | 1,528                        | 0          | 1,122                                  | 32,858   | XXX  |
| 4. 1995  | 36,066                  | 2,998      | 33,068                 | 34,960                         | 1,999      | 2,818                                 | 54         | 1,694                        | 0          | 1,509                                  | 37,419   | XXX  |
| 5. 1996  | 36,336                  | 3,031      | 33,305                 | 37,523                         | 2,953      | 2,892                                 | 58         | 2,079                        | 0          | 1,393                                  | 39,483   | XXX  |
| 6. 1997  | 32,905                  | 2,686      | 30,219                 | 31,624                         | 2,256      | 1,981                                 | 63         | 2,068                        | 0          | 1,109                                  | 33,354   | XXX  |
| 7. 1998  | 30,701                  | 2,198      | 28,503                 | 28,126                         | 1,481      | 587                                   | 8          | 2,773                        | 1          | 976                                    | 29,996   | XXX  |
| 8. 1999  | 30,544                  | 2,448      | 28,096                 | 26,243                         | 1,239      | 488                                   | 6          | 1,538                        | 1          | 998                                    | 27,023   | XXX  |
| 9. 2000  | 44,479                  | 2,386      | 42,093                 | 32,960                         | 4,396      | 445                                   | 14         | 3,028                        | 5          | 1,267                                  | 32,018   | XXX  |
| 10. 2001   | 49,044                  | 3,162      | 45,882                 | 31,198                         | 1,906      | 172                                   | 3          | 2,509                        | 26         | 1,168                                  | 31,944   | XXX  |
| 11. 2002   | 56,443                  | 3,813      | 52,630                 | 26,130                         | 635        | 78                                    | 2          | 2,154                        | 12         | 606                                    | 27,713   | XXX  |
| 12. Totals   | XXX                     | XXX        | XXX                    | 308,301                        | 24,216     | 14,621                                | 462        | 20,667                       | 45         | 11,315                                 | 318,866  | XXX  |

|            | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Unpaid |             | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding - Direct and Assumed |
|------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
|            | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21<br>Direct and Assumed   | 22<br>Ceded |   |  |   |
|            | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded |                            |             |   |  |   |
|            |                          |             |                          |             |                                     |             |                          |             |                            |             |   |  |   |
| 1. ....    | 72                       | 7           | 115                      | 56          | 0                                   | 0           | 0                        | 0           | 0                          | 0           | 0   | 124  | XXX   |
| 2. ....    | 88                       | 40          | 145                      | 65          | 4                                   | 0           | 5                        | 0           | 6                          | 0           | 0   | 143  | XXX   |
| 3. ....    | 28                       | 0           | 194                      | 75          | 7                                   | 0           | 6                        | 0           | 8                          | 0           | 0   | 168  | XXX   |
| 4. ....    | 39                       | 0           | 211                      | 82          | 8                                   | 0           | 6                        | 0           | 8                          | 0           | 0   | 190  | XXX   |
| 5. ....    | 196                      | 26          | 229                      | 85          | 12                                  | 0           | 9                        | 0           | 13                         | 0           | 0   | 348  | XXX   |
| 6. ....    | 236                      | 6           | 247                      | 90          | 19                                  | 0           | 12                       | 1           | 17                         | 0           | 0   | 434  | XXX   |
| 7. ....    | 204                      | 19          | 262                      | 95          | 25                                  | 1           | 16                       | 1           | 23                         | 0           | 0   | 414  | XXX   |
| 8. ....    | 1,185                    | 256         | 281                      | 101         | 58                                  | 5           | 31                       | 4           | 47                         | 0           | 0   | 1,236                                      | XXX   |
| 9. ....    | 2,456                    | 483         | 506                      | 159         | 167                                 | 10          | 81                       | 8           | 134                        | 0           | 0   | 2,684                                      | XXX   |
| 10. ....   | 4,759                    | 419         | 1,468                    | 372         | 359                                 | 19          | 159                      | 16          | 285                        | 0           | 0   | 6,204                                      | XXX   |
| 11. ....   | 10,364                   | 1,151       | 6,436                    | 1,375       | 662                                 | 45          | 325                      | 30          | 543                        | 0           | 0   | 15,729                                     | XXX   |
| 12. Totals | 19,627                   | 2,407       | 10,094                   | 2,555       | 1,321                               | 80          | 650                      | 60          | 1,084                      | 0           | 0   | 27,674                                     | XXX   |

|            | Total Losses and Loss Expenses Incurred |             |           | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount |                            |
|------------|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|            | 26<br>Direct and Assumed                | 27<br>Ceded | 28<br>Net | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
|            |   |             |           |   |             |           |                     |                    |  |   |                            |
| 1. ....    | XXX                                     | XXX         | XXX       | XXX   | XXX         | XXX       | 0                   | 0                  | XXX  | 124                                       | 0                          |
| 2. ....    | 32,268                                  | 5,127       | 27,141    | 113.0   | 87.3        | 119.6     | 0                   | 0                  |  | 128                                       | 15                         |
| 3. ....    | 35,645                                  | 2,619       | 33,026    | 114.8   | 79.1        | 119.1     | 0                   | 0                  |  | 147                                       | 21                         |
| 4. ....    | 39,744                                  | 2,135       | 37,609    | 110.2   | 71.2        | 113.7     | 0                   | 0                  |  | 168                                       | 22                         |
| 5. ....    | 42,953                                  | 3,122       | 39,831    | 118.2   | 103.0       | 119.6     | 0                   | 0                  |  | 314                                       | 34                         |
| 6. ....    | 36,204                                  | 2,416       | 33,788    | 110.0   | 89.9        | 111.8     | 0                   | 0                  |  | 387                                       | 47                         |
| 7. ....    | 32,016                                  | 1,606       | 30,410    | 104.3   | 73.1        | 106.7     | 0                   | 0                  |  | 352                                       | 62                         |
| 8. ....    | 29,871                                  | 1,612       | 28,259    | 97.8  | 65.8        | 100.6     | 0                   | 0                  |  | 1,109                                     | 127                        |
| 9. ....    | 39,777                                  | 5,075       | 34,702    | 89.4  | 212.7       | 82.4      | 0                   | 0                  |  | 2,320                                     | 364                        |
| 10. ....   | 40,909                                  | 2,761       | 38,148    | 83.4  | 87.3        | 83.1      | 0                   | 0                  |  | 5,436                                     | 768                        |
| 11. ....   | 46,692                                  | 3,250       | 43,442    | 82.7  | 85.2        | 82.5      | 0                   | 0                  |  | 14,274                                    | 1,455                      |
| 12. Totals | XXX                                     | XXX         | XXX       | XXX   | XXX         | XXX       | 0                   | 0                  | XXX  | 24,759                                    | 2,915                      |

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.

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE WESTERN RESERVE MUTUAL CASUALTY COMPANY

**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  | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11          | 12       |
|                                     | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | One Year    | Two Year |
| 1. Prior                            | 7,203  | 7,037  | 7,414  | 7,089  | 6,966  | 7,115  | 6,980  | 7,034  | 7,118  | 7,094  | (24)        | 60       |
| 2. 1993                             | 29,667   | 25,297 | 25,625 | 25,866 | 25,818 | 25,741 | 25,836 | 25,842 | 25,841 | 25,845 | 4           | 3        |
| 3. 1994                             | XXX  | 34,263 | 31,715 | 31,268 | 31,325 | 31,289 | 31,406 | 31,471 | 31,451 | 31,490 | 39          | 19       |
| 4. 1995                             | XXX  | XXX    | 38,460 | 36,734 | 36,348 | 36,200 | 36,089 | 36,020 | 35,920 | 35,907 | (13)        | (113)    |
| 5. 1996                             | XXX  | XXX    | XXX    | 41,166 | 38,827 | 38,147 | 38,060 | 37,965 | 37,733 | 37,739 | 6           | (226)    |
| 6. 1997                             | XXX  | XXX    | XXX    | XXX    | 36,478 | 33,094 | 32,438 | 32,222 | 31,764 | 31,703 | (61)        | (519)    |
| 7. 1998                             | XXX  | XXX    | XXX    | XXX    | XXX    | 31,768 | 28,828 | 28,354 | 27,604 | 27,615 | 11          | (739)    |
| 8. 1999                             | XXX  | XXX    | XXX    | XXX    | XXX    | XXX    | 30,345 | 27,879 | 26,954 | 26,675 | (279)       | (1,204)  |
| 9. 2000                             | XXX  | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | 33,586 | 32,542 | 31,545 | (997)       | (2,041)  |
| 10. 2001                            | XXX  | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | 37,695 | 35,380 | (2,315)     | XXX      |
| 11. 2002                            | XXX  | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | 40,757 | XXX         | XXX      |
| 12. Totals                          |  |        |        |        |        |        |        |        |        |        | (3,629)     | (4,760)  |

**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   | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
|                                     | 1993  | 1994   | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   |   |  |
| 1. Prior                            | 000   | 3,484  | 5,537  | 6,319  | 6,629  | 6,840  | 6,793  | 6,842  | 6,916  | 6,970  | XXX                                       | XXX  |
| 2. 1993                             | 15,617  | 20,400 | 23,043 | 24,606 | 25,321 | 25,607 | 25,679 | 25,690 | 25,691 | 25,708 | XXX                                       | XXX  |
| 3. 1994                             | XXX   | 18,646 | 25,291 | 28,429 | 30,047 | 30,778 | 31,084 | 31,278 | 31,287 | 31,330 | XXX                                       | XXX  |
| 4. 1995                             | XXX   | XXX    | 22,203 | 29,645 | 32,723 | 34,734 | 35,403 | 35,619 | 35,703 | 35,725 | XXX                                       | XXX  |
| 5. 1996                             | XXX   | XXX    | XXX    | 25,296 | 32,107 | 35,040 | 36,683 | 37,240 | 37,379 | 37,404 | XXX                                       | XXX  |
| 6. 1997                             | XXX   | XXX    | XXX    | XXX    | 21,192 | 27,092 | 29,645 | 30,836 | 31,141 | 31,286 | XXX                                       | XXX  |
| 7. 1998                             | XXX   | XXX    | XXX    | XXX    | XXX    | 18,566 | 23,388 | 25,651 | 26,587 | 27,224 | XXX                                       | XXX  |
| 8. 1999                             | XXX   | XXX    | XXX    | XXX    | XXX    | XXX    | 17,644 | 22,341 | 24,500 | 25,486 | XXX                                       | XXX  |
| 9. 2000                             | XXX   | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | 22,399 | 27,076 | 28,995 | XXX                                       | XXX  |
| 10. 2001                            | XXX   | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | 23,060 | 29,461 | XXX                                       | XXX  |
| 11. 2002                            | XXX   | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | XXX    | 25,571 | 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   | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    |
|                                     | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  |
| 1. Prior                            | 1,896   | 783   | 389   | 79    | 0     | 0     | 75    | 57    | 62    | 59    |
| 2. 1993                             | 7,998   | 1,437 | 780   | 306   | 84    | 0     | 72    | 64    | 77    | 85    |
| 3. 1994                             | XXX   | 8,281 | 2,580 | 755   | 321   | 84    | 86    | 101   | 98    | 125   |
| 4. 1995                             | XXX   | XXX   | 7,326 | 2,611 | 870   | 321   | 265   | 157   | 116   | 135   |
| 5. 1996                             | XXX   | XXX   | XXX   | 7,464 | 2,732 | 901   | 527   | 332   | 176   | 153   |
| 6. 1997                             | XXX   | XXX   | XXX   | XXX   | 7,359 | 2,678 | 942   | 442   | 210   | 168   |
| 7. 1998                             | XXX   | XXX   | XXX   | XXX   | XXX   | 7,064 | 2,217 | 1,214 | 322   | 182   |
| 8. 1999                             | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 6,131 | 2,194 | 614   | 207   |
| 9. 2000                             | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 4,819 | 1,716 | 420   |
| 10. 2001                            | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 4,661 | 1,239 |
| 11. 2002                            | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 5,356 |

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

| States, etc.  | 1<br>Is Insurer Licensed?<br>(Yes or No) | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges Not Included in Premiums | 9<br>Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|---|--|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|   |  | 2<br>Direct Premiums Written   | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
| 1. Alabama  | AL                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 2. Alaska   | AK                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 3. Arizona  | AZ                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 4. Arkansas   | AR                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5. California   | CA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 6. Colorado   | CO                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 7. Connecticut  | CT                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 8. Delaware   | DE                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 9. District of Columbia   | DC                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 10. Florida   | FL                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 11. Georgia   | GA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 12. Hawaii  | HI                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 13. Idaho   | ID                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 14. Illinois  | IL                                       | Yes  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 15. Indiana   | IN                                       | Yes  | 14,918,574                  | 13,627,882  | 0   | 8,288,020                   | 8,657,883                 | 5,058,385   | 251,173  |
| 16. Iowa  | IA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 17. Kansas  | KS                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 18. Kentucky  | KY                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 19. Louisiana   | LA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 20. Maine   | ME                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 21. Maryland  | MD                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 22. Massachusetts   | MA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 23. Michigan  | MI                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 24. Minnesota   | MN                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 25. Mississippi   | MS                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 26. Missouri  | MO                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 27. Montana   | MT                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 28. Nebraska  | NE                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 29. Nevada  | NV                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 30. New Hampshire   | NH                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 31. New Jersey  | NJ                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 32. New Mexico  | NM                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 33. New York  | NY                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 34. North Carolina  | NC                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 35. North Dakota  | ND                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 36. Ohio  | OH                                       | Yes  | 59,281,236                  | 56,737,844  | 0   | 38,909,199                  | 38,202,542                | 31,153,115  | 1,325,094  |
| 37. Oklahoma  | OK                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 38. Oregon  | OR                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 39. Pennsylvania  | PA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 40. Rhode Island  | RI                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 41. South Carolina  | SC                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 42. South Dakota  | SD                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 43. Tennessee   | TN                                       | Yes  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 44. Texas   | TX                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 45. Utah  | UT                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 46. Vermont   | VT                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 47. Virginia  | VA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 48. Washington  | WA                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 49. West Virginia   | WV                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 50. Wisconsin   | WI                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 51. Wyoming   | WY                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 52. American Samoa  | AS                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 53. Guam  | GU                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 54. Puerto Rico   | PR                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 55. U.S. Virgin Islands   | VI                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 56. Canada  | CN                                       | No   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 57. Aggregate Other Aliens  | OT                                       | XXX  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 58. Totals  | (a) 4                                    |  | 74,199,810                  | 70,365,726  | 0   | 47,197,219                  | 46,860,425                | 36,211,500  | 1,576,267  |
| <b>DETAILS OF WRITE-INS</b>   |  |  |                             |   |   |                             |                           |   |  |
| 5701.   | XXX                                      |  |                             |   |   |                             |                           |   |  |
| 5702.   | XXX                                      |  |                             |   |   |                             |                           |   |  |
| 5703.   | XXX                                      |  |                             |   |   |                             |                           |   |  |
| 5798. Summary of remaining write-ins for Line 57 from overflow page | XXX                                      |  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)        | XXX                                      |  | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |

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

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

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

**PART 1 - ORGANIZATIONAL CHART**

Western Reserve Group

Western Reserve Mutual  
Casualty Company

Lightning Rod Mutual  
Insurance Company

Sonnenberg Mutual  
Insurance Company

WRMCC, LRMIC and SMIC are the three participants within the Western Reserve Group. All business written is subject to pooling whereby all underwriting and related balance sheet amounts are pooled on a 40/55/5 percent basis.