



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE

National Interstate Insurance Company

NAIC Group Code 0084 (Current Period) 0084 (Prior Period) NAIC Company Code 32620 Employer's ID Number 34-1607395

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

Country of Domicile US

Incorporated February 10, 1989 Commenced Business March 28, 1989

Statutory Home Office 3250 Interstate Drive, Richfield, Ohio 44286 (Street and Number, City or Town, State and Zip Code)

Main Administrative Office 3250 Interstate Drive, Richfield, Ohio 44286 (Street and Number, City or Town, State and Zip Code) 800-929-1500 -307 (Area Code) (Telephone Number)

Mail Address 3250 Interstate Drive, Richfield, Ohio 44286 (Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 3250 Interstate Drive, Richfield, Ohio 44286 (Street and Number, City or Town, State and Zip Code) 800-929-1500 -307 (Area Code) (Telephone Number)

Internet Website Address www.nationalinterstate.com

Statement Contact Gary Norman Monda (Name) 330-659-8900 -307 (Area Code) (Telephone Number) (Extension) gary.monda@nationalinterstate.com (E-Mail Address) 330-659-8902 (Fax Number)

Policyowner Relations Contact 3250 Interstate Drive, Richfield, Ohio 44286 (Street and Number, City or Town, State and Zip Code) 330-659-8900 -123 (Area Code) (Telephone Number) (Extension)

OFFICERS

President Alan Robert Spachman
Secretary #Michael Andrew Schroeder
Treasurer Arthur Myron Kraus

VICE PRESIDENTS

Gary Norman Monda
Terry Eugene Phillips
Robert Adrian Bernartchcz
Arthur Myron Kraus
David Warner Michelson
Eric Juris Raudins
#Michael Andrew Schroeder

DIRECTORS OR TRUSTEES

Gary Norman Monda
Alan Robert Spachman
David Warner Michelson
Robert Adrian Bernartchcz
Bradley Scott Schneeberger
Eric Juris Raudins
Arthur Myron Kraus
Michelle Ann Silvestro
Terry Eugene Phillips
Ronald George Steiger, Jr.
Edward Jeffrey Masch
William Joseph Hobbs
#Michael Andrew Schroeder

State of Ohio }
County of Summit } 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.

Alan Robert Spachman
President

#Michael Andrew Schroeder
Secretary

Arthur Myron Kraus
Treasurer

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

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

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Columns 1 minus 2)	4 Net Admitted Assets
1. Bonds .....	77,305,226		77,305,226	57,041,247
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1) .....	7,492,348		7,492,348	6,539,263
2.2 Common stocks (Schedule D, Part 2, Section 2) .....	8,640,093		8,640,093	8,951,580
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....	10,445,322		10,445,322	4,908,779
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ ..... encumbrances) .....				
5. Cash (\$ ..... (1,163,384) Schedule E, Part 1) and short-term investments (\$ ..... 13,927,431 Schedule DA, Part 2) .....	12,764,046		12,764,046	14,028,703
6. Other invested assets (Schedule BA) .....				
7. Receivable for securities .....				
8. Aggregate write-ins for invested assets .....				
9. Subtotals, cash and invested assets (Line 1 to Line 8) .....	116,647,035		116,647,035	91,469,572
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection .....	2,690,049	140,000	2,550,049	2,196,218
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....	31,374,052	284,000	31,090,052	24,320,207
10.3 Accrued retrospective premiums .....				
11. Funds held by or deposited with reinsured companies .....				
12. Bills receivable, taken for premiums .....				
13. Amounts receivable under high deductible policies .....				
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Columns 7 and 8) .....	2,691,205		2,691,205	776,840
15. Federal and foreign income tax recoverable and interest thereon (including \$ ..... 4,628,737 net deferred tax asset) .....	5,604,751		5,604,751	3,546,897
16. Guaranty funds receivable or on deposit .....				
17. Electronic data processing equipment and software .....	48,797		48,797	114,941
18. Interest, dividends and real estate income due and accrued .....	1,273,000		1,273,000	989,038
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Receivable from parent, subsidiaries and affiliates .....				
21. Amount due from/to protected cells .....				
22. Equities and deposits in pools and associations .....				
23. Amounts receivable relating to uninsured accident and health plans .....				
24. Other assets nonadmitted (Exhibit 1) .....				
25. Aggregate write-ins for other than invested assets .....	218,189	218,189		
26. Total assets excluding protected cell assets (Line 9 through Line 25) .....	160,547,078	642,189	159,904,889	123,413,713
27. Protected cell assets .....				
28. TOTALS (Line 26 and Line 27) .....	160,547,078	642,189	159,904,889	123,413,713
<b>DETAILS OF WRITE-INS</b>				
0801. ....				
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....				
0899. Totals (Line 0801 through Line 0803 plus Line 0898) (Line 8 above) .....				
2501. Prepaid Insurance .....	215,328	215,328		
2502. Security Deposits .....	2,861	2,861		
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) .....	218,189	218,189		

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8) .....	42,611,350	33,264,891
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9) .....	18,329,481	12,312,621
4. Commissions payable, contingent commissions and other similar charges .....	2,600,573	
5. Other expenses (excluding taxes, licenses and fees) .....	5,461,305	5,987,594
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	1,308,112	938,586
7. Federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....		409,283
8. Borrowed money \$ ..... and interest thereon \$ .....		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ ..... 9,180,516 and including warranty reserves of \$ ..... ) .....	37,620,652	28,840,571
10. Advance premiums .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	6,376,039	6,320,247
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....	3,600,000	
14. Amounts withheld or retained by company for account of others .....	2,743,487	565,872
15. Remittances and items not allocated .....		
16. Provision for reinsurance (Schedule F, Part 7) .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....	2,506,950	582,414
20. Payable for securities .....		210,068
21. Liability for amounts held under uninsured accident and health plans .....		
22. Capital notes \$ ..... and interest thereon \$ .....		
23. Aggregate write-ins for liabilities .....		
24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23) .....	123,157,949	89,432,147
25. Protected cell liabilities .....		
26. Total liabilities (Line 24 and Line 25) .....	123,157,949	89,432,147
27. Aggregate write-ins for special surplus funds .....		
28. Common capital stock .....	3,000,000	3,000,000
29. Preferred capital stock .....		
30. Aggregate write-ins for other than special surplus funds .....		
31. Surplus notes .....		
32. Gross paid in and contributed surplus .....	7,608,779	7,608,779
33. Unassigned funds (surplus) .....	26,138,161	23,372,787
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ ..... ) .....		
34.2 ..... shares preferred (value included in Line 29 \$ ..... ) .....		
35. Surplus as regards policyholders (Line 27 to Line 33, less Line 34) (Page 4, Line 38) .....	36,746,940	33,981,566
36. TOTALS (Page 2, Line 28, Column 3) .....	159,904,889	123,413,713
<b>DETAILS OF WRITE-INS</b>		
2301. ....		
2302. ....		
2303. ....		
2398. Summary of remaining write-ins for Line 23 from overflow page .....		
2399. TOTALS (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....		
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page .....		
2799. TOTALS (Line 2701 through Line 2703 plus Line 2798) (Line 27 above) .....		
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page .....		
3099. TOTALS (Line 3001 through Line 3003 plus Line 3098) (Line 30 above) .....		

**UNDERWRITING AND INVESTMENT EXHIBIT**

STATEMENT OF INCOME

UNDERWRITING INCOME	1 Current Year	2 Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)	74,703,725	62,408,635
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	34,866,077	34,889,121
3. Loss expenses incurred (Part 3, Line 25, Column 1)	12,670,028	11,440,695
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	22,816,509	18,664,627
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Line 2 through Line 5)	70,352,614	64,994,443
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	4,351,111	(2,585,808)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,511,015	3,389,492
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	41,447	506,392
11. Net investment gain (loss) (Line 9 plus Line 10)	4,552,462	3,895,884
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ ..... amount charged off \$ .....)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	150,507	42,590
15. Total other income (Line 12 through Line 14)	150,507	42,590
16. Net income before dividends to policyholders and before federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)	9,054,080	1,352,666
17. Dividends to policyholders		
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	9,054,080	1,352,666
19. Federal and foreign income taxes incurred	4,051,803	730,188
20. Net income (Line 18 minus Line 19) (to Line 22)	5,002,277	622,478
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	33,981,566	21,106,069
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	5,002,277	622,478
23. Net unrealized capital gains or (losses)	(3,439,042)	(131,743)
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	1,081,840	685,744
26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3)	120,299	(500,914)
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
28. Change in surplus notes		
29. Surplus (contributed to) withdrawn from protected cells		
30. Cumulative effect of changes in accounting principles		7,291,153
31. Capital changes:		
31.1 Paid in		
31.2 Transferred from surplus (Stock Dividend)		
31.3 Transferred to surplus		
32. Surplus adjustments:		
32.1 Paid in		
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders		
35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1)		
36. Aggregate write-ins for gains and losses in surplus		4,908,779
37. Change in surplus as regards policyholders for the year (Line 22 through Line 36)	2,765,374	12,875,497
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35)	36,746,940	33,981,566
DETAILS OF WRITE-INS		
0501		
0502		
0503		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)		
1401. Rent Income		
1402. Other	150,507	42,590
1403		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	150,507	42,590
3601. Change in excess of statutory reserves over statement reserves		
3602. Contribution of real estate net of encumbrances from parent company		4,908,779
3603		
3698. Summary of remaining write-ins for Line 36 from overflow page		
3699. Totals (Line 3601 through Line 3603 plus Line 3698) (Line 36 above)		4,908,779

## CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	76,702,923	65,815,860
2. Loss and loss adjustment expenses paid (net of salvage and subrogation) .....	34,087,154	30,342,063
3. Underwriting expenses paid .....	20,372,699	18,067,363
4. Other underwriting income (expenses) .....		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	22,243,070	17,406,434
6. Net investment income .....	4,856,878	3,288,302
7. Other income (expenses):		
7.1 Agents' balances charged off .....		
7.2 Net funds held under reinsurance treaties .....	3,600,000	
7.3 Net amount withheld or retained for account of others .....	2,177,615	278,612
7.4 Aggregate write-ins for miscellaneous items .....	240,604	152,423
7.5 Total other income (Line 7.1 to Line 7.4) .....	6,018,219	431,035
8. Dividends to policyholders on direct business, less \$ .....		
dividends on reinsurance assumed or ceded (net) .....		
9. Federal and foreign income taxes (paid) recovered .....	(5,437,100)	896,488
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) .....	27,681,067	22,022,259
Cash from Investments		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds .....	29,832,909	23,918,828
11.2 Stocks .....	975,639	2,368,650
11.3 Mortgage loans .....		
11.4 Real estate .....		
11.5 Other invested assets .....		
11.6 Net gains or (losses) on cash and short-term investments .....		
11.7 Miscellaneous proceeds .....		
11.8 Total investment proceeds (Line 11.1 to Line 11.7) .....	30,808,549	26,287,478
12. Cost of investments acquired (long-term only):		
12.1 Bonds .....	49,851,558	40,859,754
12.2 Stocks .....	5,790,085	4,136,845
12.3 Mortgage loans .....		
12.4 Real estate .....	576,119	
12.5 Other invested assets .....		
12.6 Miscellaneous applications .....	64,593	(210,068)
12.7 Total investments acquired (Line 12.1 to Line 12.6) .....	56,282,355	44,786,531
13. Net cash from investments (Line 11.8 minus Line 12.7) .....	(25,473,806)	(18,499,053)
Cash from Financing and Miscellaneous Sources		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in .....		
14.2 Capital notes, \$ .....		
less amounts repaid \$ .....		
14.3 Net transfers from affiliates .....	1,924,536	
14.4 Borrowed funds received .....		
14.5 Other cash provided .....		75,556
14.6 Total (Lines 14.1 to 14.5) .....	1,924,536	75,556
15. Cash applied:		
15.1 Dividends to stockholders paid .....		
15.2 Net transfers to affiliates .....		529,917
15.3 Borrowed funds repaid .....	5,207,354	
15.4 Other applications .....	189,100	19,137
15.5 Total (Line 15.1 to Line 15.4) .....	5,396,454	549,054
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) .....	(3,471,918)	(473,498)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17. Net change in cash and short-term investments (Line 10 plus Line 13 plus Line 16) .....	(1,264,657)	3,049,708
18. Cash and short-term investments:		
18.1 Beginning of year .....	14,028,703	10,978,995
18.2 End of year (Line 17 plus Line 18.1) .....	12,764,046	14,028,703
DETAILS OF WRITE-INS		
7.401 Other Income .....	150,507	30,096
7.402 Depreciation .....	90,097	122,327
7.403 .....		
7.498 Summary of remaining write-ins for Line 7.4 from overflow page .....		
7.499 Totals (Line 7.401 through Line 7.403 plus Line 7.498) (Line 7.4 above) .....	240,604	152,423

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 2	3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A	4 Premiums Earned During Year (Column 1 plus 2 minus 3)
1. Fire .....				
2. Allied lines .....				
3. Farmowners multiple peril .....				
4. Homeowners multiple peril .....				
5. Commercial multiple peril .....	706,109	274,098	267,857	712,350
6. Mortgage guaranty .....				
8. Ocean marine .....				
9. Inland marine .....	311,217	174,097	201,294	284,020
10. Financial guaranty .....				
11.1 Medical malpractice - occurrence .....				
11.2 Medical malpractice - claims-made .....				
12. Earthquake .....				
13. Group accident and health .....				
14. Credit accident and health (group and individual) .....				
15. Other accident and health .....				
16. Workers' compensation .....	1,989,919	439,088	702,148	1,726,859
17.1 Other liability - occurrence .....	2,903,201	930,591	1,104,682	2,729,110
17.2 Other liability - claims-made .....				
18.1 Products liability - occurrence .....				
18.2 Products liability - claims-made .....				
19.1, 19.2 Private passenger auto liability .....	2,756,422	669,007	1,350,918	2,074,511
19.3, 19.4 Commercial auto liability .....	48,557,610	18,535,898	21,848,810	45,244,698
21. Auto physical damage .....	26,259,329	7,818,178	12,144,943	21,932,564
22. Aircraft (all perils) .....				
23. Fidelity .....				
24. Surety .....				
26. Burglary and theft .....				
27. Boiler and machinery .....				
28. Credit .....				
29. International .....				
30. Reinsurance - Nonproportional Assumed Property .....				
31. Reinsurance - Nonproportional Assumed Liability .....				
32. Reinsurance - Nonproportional Assumed Financial Lines .....				
33. Aggregate write-ins for other lines of business .....				
34. TOTALS .....	83,483,807	28,840,957	37,620,652	74,704,112
<b>DETAILS OF WRITE-INS</b>				
3301. ....				
3302. ....				
3303. ....				
3398. Summary of remaining write-ins for Line 33 from overflow page .....				
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above) .....				

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1A-RECAPITULATION OF ALL PREMIUMS**

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

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Columns 1 + 2 + 3 + 4
1. Fire					
2. Allied lines					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5. Commercial multiple peril	267,857				267,857
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	201,294				201,294
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake					
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	702,148				702,148
17.1 Other liability - occurrence	1,104,682				1,104,682
17.2 Other liability - claims-made					
18.1 Products liability - occurrence					
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	1,350,918				1,350,918
19.3, 19.4 Commercial auto liability	21,848,810				21,848,810
21. Auto physical damage	12,144,943				12,144,943
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29. International					
30. Reinsurance - Nonproportional Assumed Property					
31. Reinsurance - Nonproportional Assumed Liability					
32. Reinsurance - Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	37,620,652				37,620,652
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through Line 36)					37,620,652
DETAILS OF WRITE-INS					
3301.					
3302.					
3303.					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)					

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force. Are they so returned in this statement? Yes (X) No ( )

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

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B-PREMIUMS WRITTEN**

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril	1,340,668				634,559	706,109
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	749,751			344,692	93,842	311,217
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	4,484,285	3,601,112		944,460	5,151,018	1,989,919
17.1 Other liability - occurrence	4,300,579	310,780		82,623	1,625,535	2,903,201
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	2,685,451	267,274		(25,262)	221,565	2,756,422
19.3, 19.4 Commercial auto liability	66,634,365	4,544,609		4,871,898	17,749,466	48,557,610
21. Auto physical damage	26,796,823	3,542,172		1,324,714	2,754,952	26,259,329
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance - Nonproportional Assumed Property	XXX					
31. Reinsurance - Nonproportional Assumed Liability	XXX					
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX					
33. Aggregate write-ins for other lines of business						
34. TOTALS	106,991,922	12,265,947		7,543,125	28,230,937	83,483,807
DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)						

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

If yes: 1. The amount of such installment premiums \$ .....  
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ .....

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 plus 2 minus 3)	Net Losses Unpaid Current Year (Part 2A Column 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Column 4 plus 5 minus 6)	Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril	115,757		54,183	61,574	144,030	153,046	52,558	7.4
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	70,293			70,293	142,401		212,694	193.5
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	1,278,736		932,920	345,816	923,170	1,030,367	238,619	13.8
17.1 Other liability - occurrence	305,976	(2,799)	32,661	270,516	1,837,189	1,491,656	616,049	22.0
17.2 Other liability - claims-made								
18.1 Products liability - occurrence								
18.2 Products liability - claims-made								
19.1, 19.2 Private passenger auto liability	854,962	50,786	256,309	649,439	1,404,977	813,726	1,240,690	59.8
19.3, 19.4 Commercial auto liability	22,237,971	1,966,424	10,062,450	14,141,945	34,895,218	26,342,998	22,694,165	50.0
21. Auto physical damage	11,128,017	1,430,789	2,578,769	9,980,037	3,264,366	3,433,098	9,811,305	44.9
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance- Nonproportional Assumed Property	XXX							
31. Reinsurance- Nonproportional Assumed Liability	XXX							
32. Reinsurance- Nonproportional Assumed Financial Lines	XXX							
33. Aggregate write-ins for other lines of business								
34. TOTALS	35,991,712	3,445,200	13,917,292	25,519,620	42,611,351	33,264,891	34,866,080	46.7
DETAILS OF WRITE-INS								
3301								
3302								
3303								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)								

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE National Interstate Insurance Company

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire									
2. Allied lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril	146,054		110,253	35,801	108,229			144,030	62,207
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	131,500		25,000	106,500	35,901			142,401	25,511
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims-made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	1,216,536	1,151,607	2,019,306	348,837	1,461,653	1,039,816	1,927,136	923,170	618,404
17.1 Other liability - occurrence	563,412	10,000	25,266	548,146	2,002,243	41,728	754,928	1,837,189	792,317
17.2 Other liability - claims-made									
18.1 Products liability - occurrence									
18.2 Products liability - claims-made									
19.1, 19.2 Private passenger auto liability	1,781,444	92,238	964,599	909,083	512,538	29,721	46,365	1,404,977	261,556
19.3, 19.4 Commercial auto liability	31,857,173	4,259,909	16,474,936	19,642,146	21,023,289	2,900,859	8,671,076	34,895,218	15,578,412
21. Auto physical damage	2,150,006	86,677	501,929	1,734,754	1,412,936	153,461	36,785	3,264,366	991,074
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance- Nonproportional Assumed Property	XXX				XXX				
31. Reinsurance- Nonproportional Assumed Liability	XXX				XXX				
32. Reinsurance- Nonproportional Assumed Financial Lines	XXX				XXX				
33. Aggregate write-ins for other lines of business									
34. TOTALS	37,846,125	5,600,431	20,121,289	23,325,267	26,556,789	4,165,585	11,436,290	42,611,351	18,329,481
DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above)									

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

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	9,334,701			9,334,701
1.2 Reinsurance assumed	1,829,064			1,829,064
1.3 Reinsurance ceded	3,438,877			3,438,877
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	7,724,888			7,724,888
2. Commission and brokerage:				
2.1 Direct excluding contingent		11,796,677		11,796,677
2.2 Reinsurance assumed excluding contingent				
2.3 Reinsurance ceded excluding contingent		5,409,271		5,409,271
2.4 Contingent - direct				
2.5 Contingent - reinsurance assumed				
2.6 Contingent - reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		6,387,406		6,387,406
3. Allowances to manager and agents		11,032		11,032
4. Advertising		17,200		17,200
5. Boards, bureaus and associations		503,909		503,909
6. Surveys and underwriting reports		71,065		71,065
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	4,288,718	9,292,219	94,481	13,675,418
8.2 Payroll taxes	142,942	461,134		604,076
9. Employee relations and welfare	14,383	46,401		60,784
10. Insurance	8,887	28,670		37,557
11. Directors' fees	1,739	5,609		7,348
12. Travel and travel items	16,304	52,598		68,902
13. Rent and rent items	389,055	255,099	1,000,000	1,644,154
14. Equipment	245	791		1,036
15. Cost or Depreciation of EDP equipment and software	43,000	138,720		181,720
16. Printing and stationery	22,531	72,685		95,216
17. Postage, telephone and telegraph, exchange and express	17,337	55,929		73,266
18. Legal and auditing		5,910	93,270	99,180
19. Totals (Lines 3 to 18)	4,945,141	11,018,971	1,187,751	17,151,863
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		3,226,717		3,226,717
20.2 Insurance department licenses and fees		93,540		93,540
20.3 Gross guaranty association assessments		1,685,519		1,685,519
20.4 All other (excluding federal and foreign income and real estate)		404,356		404,356
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		5,410,132		5,410,132
21. Real estate expenses			150,778	150,778
22. Real estate taxes			138,760	138,760
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses				
25. Total expenses incurred	12,670,029	22,816,509	1,477,289	36,963,827
26. Less unpaid expenses - current year	18,329,481	9,369,990		27,699,471
27. Add unpaid expenses - prior year	12,312,621	6,926,180		19,238,801
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	6,653,169	20,372,699	1,477,289	28,503,157
<b>DETAILS OF WRITE-INS</b>				
2401.				
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above)				

(a) Includes management fees of \$ 7,240,000 to affiliates and \$ 48,662 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 348,864	539,090
1.1 Bonds exempt from U. S. tax	(a) 496,598	601,230
1.2 Other bonds (unaffiliated)	(a) 2,452,809	2,455,786
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 459,900	459,900
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		68,196
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 2,016,641	2,016,641
5. Contract loans		
6. Cash/short-term investments	(e) 230,940	217,067
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	6,073,948	6,357,910
11. Investment expenses		(g) 1,477,289
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 122,677
14. Depreciation on real estate and other invested assets		(i) 246,929
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		1,846,895
17. Net investment income (Line 10 minus Line 16)		4,511,015
<b>DETAILS OF WRITE-INS</b>		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903 plus Line 0998 ) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ ..... accrual of discount less \$ ..... 366,924 amortization of premium and less \$ ..... paid for accrued interest on purchases.	(f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.	
(b) Includes \$ ..... accrual of discount less \$ ..... 15,972 amortization of premium and less \$ ..... paid for accrued dividends on purchases.	(g) Includes \$ ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.	(h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.	
(d) Includes \$ ..... 1,000,000 for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.	(i) Includes \$ ..... depreciation on real estate and \$ ..... depreciation on other invested assets.	
(e) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.		

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1. U. S. Government bonds	45,676				45,676
1.1 Bonds exempt from U. S. tax	235,616				235,616
1.2 Other bonds (unaffiliated)	490,038				490,038
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(377,616)				(377,616)
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(353,205)				(353,205)
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash/short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)	938				938
10. Total capital gains (losses)	41,447				41,447
<b>DETAILS OF WRITE-INS</b>					
0901. Miscellaneous	938				938
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903 plus Line 0998 ) (Line 9 above)	938				938

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

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) Decrease
1. Summary of Items Page 2, Line 10 to Line 17 and Line 19 to Line 23, Column 2 .....	642,189	762,488	120,299
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....			
2.2 Furniture, equipment and supplies .....			
2.3 Leasehold improvements .....			
2.4 Loans on personal security, endorsed or not .....			
3. Total (Line 2.1 to Line 2.4) .....			
4. Aggregate write-ins for other assets .....			
5. Total (Line 1 plus Line 3 and Line 4) .....	642,189	762,488	120,299
<b>DETAILS OF WRITE-INS</b>			
0401. ....			
0402. ....			
0403. ....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....			
0499. Totals (Line 0401 through Line 0403 plus Line 0498) (Line 4 above) .....			

**NOTES TO FINANCIAL STATEMENTS****1. Summary of Significant Accounting Policies**

The Annual Statement of National Interstate Insurance Company has been prepared in accordance with the NAIC *Accounting Practices and Procedures* manual.

The preparation of financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual requires management to make estimates and assumptions that affect amounts reported as 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.

**Accounting Policy**

Premiums that are written under the Company's insurance policies and reinsurance contracts are earned over the terms of the related policies and contracts on a daily pro rata basis. Unearned reserves are liabilities established, as the portion of premiums written that have not yet been earned.

Unlike the recognition of premiums revenue, expenses incurred while producing new insurance business such as commissions and premium taxes are charged to operations as incurred and ceding allowances received or receivable are credited to operations through reductions in expenses incurred.

In addition, the Company uses the following accounting policies:

Short-term investments are stated at amortized cost.

Bonds are stated at amortized cost using the interest method.

Common stock in National Interstate Insurance Company of Hawaii, Inc. (a wholly owned subsidiary) is carried on the equity basis; common stock in National Interstate Corporation (parent company) is valued at \$0; all other common stocks are carried at market.

Preferred stocks are carried at market.

Unpaid losses and loss adjustment expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred. The Company does not discount loss and loss adjustment expense reserves. The reserves for unpaid losses and loss adjustment expenses include an amount determined using individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates and the ultimate liability may be in excess of or less than the amounts provided, management believes that the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are reflected in the period determined.

Estimated salvage and subrogation recoverable have not reduced outstanding losses and loss adjustment expenses. Such amounts, which are not significant, are recognized when received.

**2. Accounting changes**

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Ohio. Effective January 1, 2001, the State of Ohio required that insurance companies domiciled therein prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001.

Accounting changes adopted to conform to provisions of the NAIC *Accounting Practices and Procedures* manual – version effective January 1, 2001 are reported as changes in accounting principal. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a change of accounting principle, as an adjustment that increased unassigned funds (surplus) of \$7,291,153. Included in this total adjustment is an increase in unassigned funds of \$2,861,153 related to the reporting of deferred tax assets and \$4,430,000 related to the elimination of excess of statutory reserves over statement reserves.

**3. Business Combinations and Goodwill**

The Company has never engaged in a business combination.

**4. Discontinued Operations**

To date, the Company has never discontinued one of its insurance operations.

**NOTES TO FINANCIAL STATEMENTS****5. Investments**

The Company's investment portfolio does not include mortgage loans, restructured debt, reverse mortgages, loan-backed securities or repurchase agreements.

**6. Joint Ventures, Partnerships and Limited Liability companies**

The Company does not invest in any of these types of ventures.

**7. Investment Income**

The company's due and accrued investment income is current and therefore, none is excluded.

**8. Derivative Instruments**

The Company does not invest in derivative instruments.

**9. Income Taxes**

The components of net deferred taxes (all assets) are as follows:

	<u>2002</u>	<u>2001</u>
Total deferred tax asset (all admitted)	<u>\$4,628,737</u>	<u>\$3,546,897</u>

The only component of current income taxes incurred as reported in the Statement of Income is current income tax expense.

The main components of the 2002 and 2001 deferred tax asset amounts are as follows:

	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
<b>2001 deferred tax asset:</b>				
Reserves (primarily loss and unearned premiums)	<u>\$74,418,083</u>	<u>\$63,986,033</u>	<u>\$10,432,050</u>	<u>\$3,546,897</u>
<b>2002 deferred tax asset:</b>				
Reserves (primarily loss and unearned premiums)	<u>\$103,723,443</u>	<u>\$90,109,510</u>	<u>\$13,613,933</u>	<u>\$4,628,737</u>

Among the more significant book to tax adjustments for the nine months ended December 31, 2002 and the year ended December 31, 2001 and following:

	<u>December 31, 2001</u>		<u>December 31, 2002</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Income (loss) before taxes	\$1,352,666	\$501,906	\$4,454,533	\$1,514,541
Book over tax reserves	2,216,226	753,517	3,923,042	1,333,834
Tax exempt interest expense	(488,820)	(166,199)	(342,454)	(116,435)
Dividend received deduction	(144,264)	(49,050)	(131,249)	(44,625)
Other	(911,726)	(309,987)	(623,349)	(211,939)
Taxable Income	\$2,024,082	\$730,188	\$7,280,523	2,475,378

The following are income taxes incurred in the current years that will be available for recoupment: in future years:

2002	\$4,051,803
2001	\$730,188
2000	1,296,068

The Company files its Federal income tax returns with its parent and its parent's other wholly owned subsidiaries. A written agreement between companies calls for allocation of income taxes to companies in the group, which have taxable income.

**10. Information Concerning Parent, Subsidiaries and Affiliates**

The company's parent company, National Interstate Corporation (Corporation) is a 58% owned subsidiary of Great

**NOTES TO FINANCIAL STATEMENTS**

American Insurance Company. The Company is the parent (100%) of National Interstate Insurance Company of Hawaii, Inc.

The company has a management services agreement with National Interstate Insurance Agency, Inc (Agency) whereby Agency receives a fee for rendering administrative services to the Company. Fees paid in 2002, which are based on cost of services under this agreement, amounted to \$ 7,240,000.

On December 31, 2001, Corporation donated its real estate, which consisted of an office building occupied by the Company to the Company as additional paid in capital. Net of encumbrances, the book value to the building was \$4,908,779 at December 31, 2001.

At December 31, 2002 the Company had the following inter-company receivables and (payables):

National Interstate Corporation	\$ 5,630,754
Hudson Indemnity, Ltd.	(478,623)
National Interstate Insurance Agency, Inc.	( 7,137,678)
National Interstate Insurance of Hawaii, Inc.	( 610,316)
Other	<u>88,911</u>
	<u>\$(2,506,952)</u>

**11. Debt**

The company acquired debt in connection the transfer of real estate from Corporation on December 31,2001 in the amount of \$5,207,354. This debt was retired in September 2002.

**12. Retirement Plans**

The Company has no such plans at December 31, 2002.

**13. Capital and Surplus, Shareholder's Dividend Restrictions and Quasi-Reorganizations**

The company had 100 common shares issued and outstanding at December 31, 2002.

No preferred shares are authorized.

The payment of dividends by Ohio domiciled insurance companies, without the prior approval of the Superintendent of Insurance, is limited of the greater of 10% of statutory surplus as of the prior year end or net income for the prior year. The Ohio Insurance Holding Company law requires an insurance company's surplus be reasonable in relation to its liabilities and adequate for its financial needs following any dividend that it may pay to its parent. The maximum dividend payment that may be made without prior approval in 2003 is \$5,002,277. The Company has no regular dividend payment schedule.

Unassigned funds (surplus) at December 31, 2002 was reduced by unrealized capital losses on unaffiliated common and preferred stocks of \$824,273, unrealized capital losses on common stock investment in Corporation of \$3,589,300 and other non admitted assets of \$642,189.

The company does not issue surplus notes.

No quasi-reorganizations were made in 2002 or any prior year.

**14. Contingencies**

The Company has no contingent liabilities at December 31, 2002 and has no reserves committed to cover unknown contingencies.

**15. Leases**

The company leases approximately 9,600 square feet of office space in Honolulu, Hawaii under a lease that expires in 2003. The Company's lease commitment under this lease is \$143,180 in 2002 and \$11,932 in 2003.

**NOTES TO FINANCIAL STATEMENTS****16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk**

The company does not invest in these types of financial instruments

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.**

None

**18. Gain or Loss from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**

The Company does not sell A&H Insurance programs.

**19. Direct Premiums Written/Produced by Managing General Agents/Third Party Administrators**

The Company does not do business through managing general agents or third party administrators.

**20. Other Items**

The company has had no extraordinary items to report in 2002 and 2001, nor has it been involved with any troubled debt restructuring in either year.

Investments with a fair valued of \$5,177,793 at December 31, 2002 were on deposit with government authorities or trustees as required by law.

**21. Events Subsequent**

The company has no Type I or Type II subsequent events to report.

**22. Reinsurance**

The following table shows details of unsecured reinsurance recoverable at December 31, 2002 that exceed 3% of the company's policyholder surplus.

Reinsurer	NAIC COMPANY CODE	FEDERAL ID NUMBER	UNSECURED AGGREGATE RECOVERABLE
GeneralCologne Re	22039	13-2637100	15,655,000
Great American Insurance Company	16691	31-0501234	4,612,000
St. Paul Re	24767	41-0406690	5,262,000
Scor Re	30058	75-1444207	1,119,000
Swiss Reinsurance America Corporation	25364	13-1675535	1,491,000
Signet Star Re	32603	47-0574325	1,982,000

The company has no reinsurance in dispute nor does it deem any of its reinsurance recoveries to be uncollectible. The company has not entered any agreements in 2002 and 2001 that would result in the commutation of ceded reinsurance. The company does not have any retroactive reinsurance agreements.

Had reinsurance agreements with ceding commissions been canceled by either the Company or the reinsurer at December 31, 2002, the maximum return ceding commission to nonaffiliated reinsurers would have been \$883,000 and to affiliated reinsurers \$320,000.

**23. Retrospectively rated contracts & contracts subject to Redetermination**

The company has not entered any contracts that are retrospectively rated or subject to redetermination.

**24. Change in Incurred Losses and Loss Adjustment Expenses**

## NOTES TO FINANCIAL STATEMENTS

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Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years have increased by \$2,419,000 in 2001 and \$212,000 in 2002. These increases are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

### **25. Intercompany Pooling Arrangements**

The Company does not participate in intercompany pooling arrangements.

### **26. Structured Settlements**

The company rarely enters structured settlements, and in 2002 and 2001 entered none.

### **27. High Deductibles**

Although the company writes commercial auto policies with deductible of various sizes, it does not write policies that have high deductibles.

### **28. Discounting of Liabilities for Unpaid Losses and Loss Adjustment Expenses**

The Company does not discount its liabilities for unpaid loss and loss adjustment expenses.

### **29. Asbestos/Environmental Reserves**

The company primarily writes auto insurance both commercial and private passenger, and has never written a policy that insured against asbestos or other environmental risks.

### **30. Subscriber Savings Accounts**

This note is not applicable to the Company.

### **31. Financial Guaranty Insurance Exposures**

Policies issued by the Company do not include financial guarantee coverage.

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	2,401,352	2.062	2,401,351	2.059
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	16,325,858	14.016	16,325,857	13.996
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	3,952,727	3.393	3,952,726	3.389
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	12,586,575	10.805	12,586,574	10.790
1.43 Revenue and assessment obligations	270,876	0.233	270,876	0.232
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC				
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523 All other privately issued				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	41,767,843	35.857	41,767,842	35.807
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	7,479,733	6.421	7,492,348	6.423
3.3 Publically traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	4,141,936	3.556	5,128,987	4.397
3.42 Unaffiliated	4,347,994	3.733	3,511,106	3.010
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real estate investments:				
5.1 Property occupied by company	10,445,322	8.967	10,445,322	8.955
5.2 Property held for production of income (includes \$ ..... of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	12,764,046	10.958	12,764,046	10.942
9. Other invested assets				
10. Total invested assets	116,484,262	100.000	116,647,035	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 ( ) N/A ( )
- 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 of 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. 12/31/1998
- 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). 07/06/2000
- 3.4 By what department or departments?  
Ohio Department of Insurance
- 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 name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any reporting entity that has ceased to exist as a result of the merger or consolidation.

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

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

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....

**GENERAL INTERROGATORIES (continued)**

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young LLP  
Cleveland, Ohio

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?  
John L. Doellman, 580 Walnut Street, Cincinnati, Ohio,  
VP and Actuary for Great American Insurance Company

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
.....

10.2 Does this statement contain all business transacted for the reporting entity through its United States branch, on risks wherever located? Yes ( ) No ( )

10.3 Have there been any changes made to any of the trust indentures during the year? Yes ( ) No ( )

10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes ( ) No ( ) N/A (X)

**BOARD OF DIRECTORS**

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes (X) No ( )

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes (X) No ( )

13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person? Yes (X) No ( )

**FINANCIAL**

14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
14.11 To directors or other officers \$ .....  
14.12 To stockholders not officers \$ .....  
14.13 Trustees, supreme or grand (Fraternal only) \$ .....

14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
14.21 To directors or other officers \$ .....  
14.22 To stockholders not officers \$ .....  
14.23 Trustees, supreme or grand (Fraternal only) \$ .....

15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ( ) No (X)

15.2 If yes, state the amount thereof at December 31 of the current year:  
15.21 Rented from others \$ .....  
15.22 Borrowed from others \$ .....  
15.23 Leased from others \$ .....  
15.24 Other \$ .....

Disclose in Notes to Financial Statements the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ( ) No (X)

16.2 If answer is yes:  
16.21 Amount paid as losses or risk adjustment \$ .....  
16.22 Amount paid as expenses \$ .....  
16.23 Other amounts paid \$ .....

## GENERAL INTERROGATORIES (Continued)

### INVESTMENT

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

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes ( ) No ( )	Yes ( ) No ( )
Common	100	100	30,000.00	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:  
Held under custodial agreements with National City Bank and Key Bank, both of Cleveland, 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 securities restricted as to sale	\$ .....
19.29	Other	\$ .....

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

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

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

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....
.....	.....	.....

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
National City Bank .....	629 Euclid Avenue suite 635, Cleveland, Ohio 44114 .....
KeyBank .....	P.O. Box 6717, Cleveland, Ohio 44101 .....
.....	.....

**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
(DTC) 37383 .....	Mellon Financial Corporation	30195 Chagrin Blvd. Pepper Pike, Ohio 44124 .....
.....	.....	.....
.....	.....	.....

**OTHER**

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 421,303

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

1 Name	2 Amount Paid
NCCI Holdings .....	\$ ..... 38,378
Insurance Service Office, Inc. ....	\$ ..... 382,926
.....	\$ .....
.....	\$ .....

24.1 Amount of payments for legal expenses, if any? \$ ..... 78,639

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

1 Name	2 Amount Paid
Thompson Hine LLP .....	\$ ..... 78,639
.....	\$ .....
.....	\$ .....
.....	\$ .....

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

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

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

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE National Interstate Insurance Company  
**GENERAL INTERROGATORIES (continued)**  
**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes ( ) No (X)
- 1.2 If yes, indicate premium earned on U.S. business only. \$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ .....
- 1.31 Reason for excluding:
- .....  
.....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Line (1.2) above. \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ .....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$ .....
- 1.62 Total incurred claims \$ .....
- 1.63 Number of covered lives .....
- All years prior to most current three years:
- 1.64 Total premium earned \$ .....
- 1.65 Total incurred claims \$ .....
- 1.66 Number of covered lives .....
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$ .....
- 1.72 Total incurred claims \$ .....
- 1.73 Number of covered lives .....
- All years prior to most current three years:
- 1.74 Total premium earned \$ .....
- 1.75 Total incurred claims \$ .....
- 1.76 Number of covered lives .....
- 2.1 Does the reporting entity issue both participating and non-participating policies? Yes ( ) No (X)
- 2.2 If yes, state the amount of calendar year premiums written on:
- 2.21 Participating \$ .....
- 2.22 Non-participating policies \$ .....
3. For Mutual Reporting Entities and Reciprocal Exchange only:
- 3.1 Does the reporting entity issue assessable policies? Yes ( ) No ( )
- 3.2 Does the reporting entity issue non-assessable policies? Yes ( ) No ( )
- 3.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? ..... %
- 3.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ .....
4. For Reciprocal Exchanges only:
- 4.1 Does the exchange appoint local agents? Yes ( ) No ( )
- 4.2 If yes, is the commission paid:
- 4.21 Out of Attorney's-in-fact compensation Yes ( ) No ( ) N/A (X)
- 4.22 As a direct expense of the exchange Yes ( ) No ( ) N/A (X)
- 4.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?
- .....  
.....
- 4.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred? Yes ( ) No (X)
- 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 protects itself through cessions to various reinsurance companies.  
Its maximum retained exposure is \$226,250.
- 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:
- The company uses mapping software, limits its property writings and reinsures under a cat reinsurance program.  
.....
- 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 uses mapping software, limits its property writings and reinsures under a cat reinsurance program.  
.....
- 5.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes (X) No ( )
- 5.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.
- .....  
.....
- 6.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurers's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? Yes ( ) No (X)
- 6.2 If yes, indicate the number of reinsurance contracts containing such provisions. .....

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

- 7.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes ( ) No (X)
- 7.2 If yes, give full information.  
 .....
8. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original reporting entity would have been required to charge had it retained the risks. Has this been done? Yes (X) No ( ) N/A ( )
- 9.1 Has this reporting entity guaranteed policies issued by any other entity and now in force? Yes ( ) No (X)
- 9.2 If yes, give full information.  
 .....
- 10.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 10.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |          |
|---|----------|
| 10.11 Unpaid losses   | \$ ..... |
| 10.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ ..... |
- 10.2 Of the amount on Line 10.3 of the assets schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds. \$ .....
- 10.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes ( ) No ( ) N/A (X)
- 10.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |         |
|------------|---------|
| 10.41 From | ..... % |
| 10.42 To   | ..... % |
- 10.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes (X) No ( )
- 10.6 If yes, state the amount thereof at December 31 of the current year:
- |                                  |                    |
|----------------------------------|--------------------|
| 10.61 Letters of credit          | \$ ..... 6,659,725 |
| 10.62 Collateral and other funds | \$ ..... 5,512,641 |
- 11.1 What amount of installment notes is owned and now held by the reporting entity? \$ .....
- 11.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes ( ) No (X)
- 11.3 If yes, what amount? \$ .....
- 12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ ..... 1,500,000
- 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 (X) No ( )
- 12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. ..... 1
- 13.1 Has the reporting entity guaranteed any financial premium accounts? Yes ( ) No (X)
- 13.2 If yes, give full information.  
 .....
- 14.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes ( ) No (X)
- |   |          |
|---|----------|
| 14.11 Name of real estate holding company ..... |          |
| 14.12 Number of parcels involved .....          |          |
| 14.13 Total book/adjusted carrying value .....  | \$ ..... |
- 14.2 If yes, provide explanation.  
 .....
- 15.1 Does the reporting entity write any warranty business? Yes ( ) No (X)  
 If yes, disclose the following information for each of the following types of warranty coverage:
- |                  | 1<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:  
 .....

## FIVE-YEAR HISTORICAL DATA

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

	1 2002	2 2001	3 2000	4 1999	5 1998
Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	86,828,455	69,178,570	51,456,848	33,879,628	26,350,830
2. Property lines (Lines 1, 2, 9, 12, 21 and 26)	31,088,746	25,743,139	18,875,529	14,008,290	8,921,265
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	1,340,668	1,238,019	991,575	765,885	500,935
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33)			15,500	56,000	33,000
5. Nonproportional reinsurance lines (Lines 30, 31 and 32)					
6. Total (Line 34)	119,257,869	96,159,728	71,339,452	48,709,803	35,806,030
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)	56,207,152	45,747,430	36,640,680	24,515,963	20,573,963
8. Property lines (Lines 1, 2, 9, 12, 21 and 26)	26,570,546	17,381,557	12,279,273	11,506,672	8,614,982
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27)	706,109	659,547	536,231	423,648	288,453
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33)			15,500	56,000	33,000
11. Nonproportional reinsurance lines (Line 30, 31 and 32)					
12. Total (Line 34)	83,483,807	63,788,534	49,471,684	36,502,283	29,510,398
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	4,351,111	(2,585,808)	(221,294)	174,850	698,776
14. Net investment gain (loss) (Line 11)	4,552,462	3,895,884	3,018,031	3,079,129	2,654,840
15. Total other income (Line 15)	150,507	42,590	103	37,375	116,294
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	4,051,803	730,188	1,296,068	937,660	486,140
18. Net income (Line 20)	5,002,277	622,478	1,500,772	2,353,694	2,983,770
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Column 3)	159,904,889	123,413,713	89,783,965	72,133,695	63,668,424
20. Agents' balances or uncollected premiums (Page 2, Column 3)					
20.1 In course of collection (Line 10.1)	2,550,049	2,196,218	1,701,518	1,477,629	1,453,172
20.2 Deferred and not yet due (Line 10.2)	31,090,052	24,320,207	21,098,456	10,622,052	6,742,146
20.3 Accrued retrospective premiums (Line 10.3)					
21. Total liabilities excluding Protected Cell (Page 3, Line 24)	123,157,949	89,432,147	68,677,896	51,603,469	43,108,009
22. Losses (Page 3, Line 1 and Line 2)	42,611,350	33,264,891	21,521,691	19,701,531	17,213,542
23. Loss adjustment expenses (Page 3, Line 3)	18,329,481	12,312,621	7,537,027	6,562,471	5,936,549
24. Unearned premiums (Page 3, Line 9)	37,620,652	28,840,571	27,460,671	17,033,088	14,726,459
25. Capital paid up (Page 3, Line 28 and Line 29)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	36,746,940	33,981,566	21,106,069	20,530,226	20,560,415
Risk-Based Capital Analysis					
27. Total adjusted capital	36,746,940	33,981,566	21,106,069	20,530,226	20,560,415
28. Authorized control level risk-based capital	6,509,320	4,199,167	3,750,273	3,160,283	2,996,499
Percentage Distribution of Cash and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 9, Column 3) x 100.0					
29. Bonds (Line 1)	66.3	62.4	61.6	70.1	65.0
30. Stocks (Line 2.1 and Line 2.2)	13.8	16.9	21.4	16.1	15.1
31. Mortgage loans on real estate (Line 3.1 and Line 3.2)					
32. Real estate (Lines 4.1, 4.2 and 4.3)	9.0	5.4			
33. Cash and short-term investments (Line 5)	10.9	15.3	17.0	13.7	20.0
34. Other invested assets (Line 6)					
35. Receivable for securities (Line 7)					
36. Aggregate write-ins for invested assets (Line 8)					
37. Cash and invested assets (Line 9)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
38. Affiliated bonds (Schedule D, Summary, Line 25, Column 1)					
39. Affiliated preferred stocks (Schedule D, Summary, Line 39, Column 1)					
40. Affiliated common stocks (Schedule D, Summary, Line 53, Column 2)	5,130,000	4,701,227	4,330,946	1,000	
41. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Column 5 Line 11)					
42. Affiliated mortgage loans on real estate					
43. All other affiliated					
44. Total of above Line 38 through Line 43	5,130,000	4,701,227	4,330,946	1,000	
45. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Column 1, Line 34 x 100.0)	14.0	13.8	20.5		

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Capital and Surplus Accounts (Page 4)					
46. Net unrealized capital gains (losses) (Line 23) .....	(3,439,042)	(131,743)	141,128	(383,443)	244,359
47. Dividends to stockholders (Line 34) .....					
48. Change in surplus as regards policyholders for the year (Line 37) .....	2,765,374	12,875,497	575,843	(30,189)	2,547,805
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
49. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) .....	26,692,056	18,654,037	11,769,843	8,340,303	8,751,769
50. Property lines (Lines 1, 2, 9, 12, 21 and 26) .....	12,629,099	11,148,853	9,267,030	6,675,162	4,166,431
51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) .....	115,757	87,414	217,190	42,003	7,109
52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33) .....					
53. Nonproportional reinsurance lines (Lines 30, 31, and 32) .....					
54. Total (Line 34) .....	39,436,912	29,890,304	21,254,063	15,057,468	12,925,309
Net Losses Paid (Page 9, Part 2, Column 4)					
55. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) .....	15,407,716	13,867,887	9,144,716	7,044,105	6,437,037
56. Property lines (Lines 1, 2, 9, 12, 21 and 26) .....	10,050,330	9,252,717	6,699,312	6,358,114	3,558,063
57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) .....	61,574	25,315	36,622	3,352	355
58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33) .....					
59. Nonproportional reinsurance lines (Lines 30, 31, and 32) .....					
60. Total (Line 34) .....	25,519,620	23,145,919	15,880,650	13,405,571	9,995,455
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
61. Premiums earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
62. Losses incurred (Line 2) .....	46.7	55.9	45.3	46.5	43.4
63. Loss expenses incurred (Line 3) .....	17.0	18.3	13.8	14.9	13.3
64. Other underwriting expenses incurred (Line 4) .....	30.5	29.9	41.5	38.1	40.9
65. Net underwriting gain (loss) (Line 8) .....	5.8	(4.1)	(0.6)	0.5	2.5
Other Percentages					
66. Other underwriting expenses to net premiums written (Page 4, Lines 4 plus 5 minus 15 divided by Page 8, Part 1B, Column 6, Line 34 x 100.0) .....	27.2	29.2	32.7	35.6	39.1
67. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 plus Line 3 divided by Page 4, Line 1 x 100.0) .....	63.6	74.2	59.1	61.4	56.6
68. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 34 divided by Page 3, Line 35, Column 1 x 100.0) .....	227.2	187.7	234.4	177.8	143.5
One Year Loss Development (000 omitted)					
69. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11) .....	552	2,347	(1,130)	(252)	(1,205)
70. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 69 above divided by Page 4, Line 21, Column 1 x 100.0) .....	1.6	11.1	(5.5)	(1.2)	(6.7)
Two Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12) .....	3,521	363	(623)	(1,216)	(2,252)
72. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 71 above divided by Page 4, Line 21, Column 2 x 100.0) .....	16.7	1.8	(3.0)	(638.0)	(14.9)

**SCHEDULE D - SUMMARY BY COUNTRY**

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States .....	18,727,210	19,320,406	18,678,592	18,876,000
	2. Canada .....				
	3. Other Countries .....				
	4. Totals .....	18,727,210	19,320,406	18,678,592	18,876,000
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	3,952,727	4,150,392	4,045,987	3,915,000
	6. Canada .....				
	7. Other Countries .....				
	8. Totals .....	3,952,727	4,150,392	4,045,987	3,915,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....	12,586,570	12,851,949	12,690,155	12,385,000
	10. Canada .....				
	11. Other Countries .....				
	12. Totals .....	12,586,570	12,851,949	12,690,155	12,385,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	270,876	275,000	270,876	275,000
	14. Canada .....				
	15. Other Countries .....				
	16. Totals .....	270,876	275,000	270,876	275,000
Public Utilities (unaffiliated)	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals .....				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	41,767,843	42,658,939	42,273,302	40,901,946
	22. Canada .....				
	23. Other Countries .....				
	24. Totals .....	41,767,843	42,658,939	42,273,302	40,901,946
Parent, Subsidiaries and Affiliates	25. Totals .....				
	26. Total Bonds .....	77,305,226	79,256,686	77,958,912	76,352,946
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States .....	1,136,929	1,098,833	1,136,929	
	28. Canada .....				
	29. Other Countries .....				
	30. Totals .....	1,136,929	1,098,833	1,136,929	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....	3,081,444	3,159,425	3,080,295	
	32. Canada .....				
	33. Other Countries .....				
	34. Totals .....	3,081,444	3,159,425	3,080,295	
Industrial and Miscellaneous (unaffiliated)	35. United States .....	3,261,361	3,234,090	3,269,659	
	36. Canada .....				
	37. Other Countries .....				
	38. Totals .....	3,261,361	3,234,090	3,269,659	
Parent, Subsidiaries and Affiliates	39. Totals .....				
	40. Total Preferred Stocks .....	7,479,734	7,492,348	7,486,883	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States .....	55,680	55,680	52,128	
	42. Canada .....				
	43. Other Countries .....				
	44. Totals .....	55,680	55,680	52,128	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....	576,970	576,970	709,349	
	46. Canada .....				
	47. Other Countries .....				
	48. Totals .....	576,970	576,970	709,349	
Industrial and Miscellaneous (unaffiliated)	49. United States .....	2,878,456	2,878,456	3,586,517	
	50. Canada .....				
	51. Other Countries .....				
	52. Totals .....	2,878,456	2,878,456	3,586,517	
Parent, Subsidiaries and Affiliates	53. Totals .....	5,128,987	5,128,987	7,731,236	
	54. Total Common Stocks .....	8,640,093	8,640,093	12,079,230	
Parent, Subsidiaries and Affiliates	55. Total Stocks .....	16,119,827	16,132,441	19,566,113	
	56. Total Bonds and Stocks .....	93,425,053	95,389,127	97,525,025	

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

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year .....	72,532,090	6. Foreign Exchange Adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3 .....	55,641,643	6.1 Column 17, Part 1 .....
3. Increase (decreased) by adjustment:		6.2 Column 13, Part 2, Section 1 .....
3.1 Column 16, Part 1 .....	(366,924)	6.3 Column 11, Part 2, Section 2 .....
3.2 Column 12, Part 2, Section 1 .....	(2,895)	6.4 Column 11, Part 4 .....
3.3 Column 10, Part 2, Section 2 .....	(3,451,653)	7. Book/adjusted carrying value at end of current period .....
3.4 Column 10, Part 4 .....	(159,163)	8. Total valuation allowance .....
4. Total gain (loss), Column 14, Part 4 .....	40,509	9. Subtotal (Line 7 plus Line 8) .....
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 .....	30,808,549	10. Total nonadmitted amounts .....
		11. Statement value of bonds and stocks, current period .....

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Columns 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	3		7					10	XXX
2. 1993	16,480	1,260	15,220	6,838	830	2,772	638	929	95	9,071	95	XXX
3. 1994	18,760	1,943	16,817	9,829	2,440	2,509	387	1,149	154	10,660	154	XXX
4. 1995	19,314	3,462	15,852	7,896	980	2,175	124	748	140	9,715	140	XXX
5. 1996	20,108	4,946	15,162	6,510	1,654	2,253	60	827	54	7,876	54	XXX
6. 1997	28,947	7,805	21,142	12,738	4,354	2,983	174	1,336	392	12,529	392	XXX
7. 1998	34,908	6,463	28,445	12,182	1,300	2,610	157	1,384	1,329	14,719	1,329	XXX
8. 1999	42,528	8,378	34,150	17,634	2,881	2,162	189	1,926	1,277	18,652	1,277	XXX
9. 2000	57,057	18,064	38,993	23,307	7,505	2,084	776	2,454	1,295	19,564	1,295	XXX
10. 2001	92,843	30,437	62,406	31,355	9,559	1,837	394	3,385	981	26,624	981	XXX
11. 2002	112,607	37,903	74,704	17,577	4,062	824	387	2,400	512	16,352	512	XXX
12. Totals	XXX	XXX	XXX	145,869	35,565	22,216	3,286	16,538	6,229	145,772	6,229	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct & Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. ....	9				27	15	2	1				22	XXX
2. ....	78				33	17	4	1				97	XXX
3. ....	56				32	24	2	1				65	XXX
4. ....	76	4			57	3	13	5				134	XXX
5. ....	160	36			126	8	29	11				260	XXX
6. ....	267	231			157	71	21	8				135	XXX
7. ....	1,080	79	498	186	352	30	178	67	34			1,780	XXX
8. ....	2,039	350	1,131	422	647	115	862	328	251			3,715	XXX
9. ....	4,145	1,713	2,629	980	1,095	260	2,176	828	678			6,942	XXX
10. ....	12,874	5,731	7,811	2,910	1,528	450	3,931	1,496	1,259			16,816	XXX
11. ....	22,664	11,983	18,653	6,938	953	585	8,604	3,272	2,881			30,977	XXX
12. ....	43,448	20,127	30,722	11,436	5,007	1,578	15,822	6,018	5,103			60,943	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. ....	XXX	XXX	XXX	XXX	XXX	XXX			XXX	9	13
2. ....	10,654	1,486	9,168	64.6	117.9	60.2				78	19
3. ....	13,577	2,852	10,725	72.4	146.8	63.8				56	9
4. ....	10,965	1,116	9,849	56.8	32.2	62.1				72	62
5. ....	9,905	1,769	8,136	49.3	35.8	53.7				124	136
6. ....	17,502	4,838	12,664	60.5	62.0	59.9				36	99
7. ....	18,318	1,819	16,499	52.5	28.1	58.0				1,313	467
8. ....	26,652	4,285	22,367	62.7	51.1	65.5				2,398	1,317
9. ....	38,568	12,062	26,506	67.6	66.8	68.0				4,081	2,861
10. ....	63,980	20,540	43,440	68.9	67.5	69.6				12,044	4,772
11. ....	74,556	27,227	47,329	66.2	71.8	63.4				22,396	8,581
12. ....	XXX	XXX	XXX	XXX	XXX	XXX			XXX	42,607	18,336

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

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002	11 One Year	12 Two Year
1. Prior										22	22	22
2. 1993	9,527	8,544	9,014	8,591	8,153	7,876	7,843	8,193	8,219	8,238	19	45
3. 1994	XXX	9,882	10,508	10,514	9,807	9,237	8,925	9,464	9,573	9,576	3	112
4. 1995	XXX	XXX	9,901	8,989	9,238	8,947	8,837	9,071	9,155	9,101	(54)	30
5. 1996	XXX	XXX	XXX	6,014	6,137	6,330	6,234	7,154	7,130	7,309	179	155
6. 1997	XXX	XXX	XXX	XXX	8,924	8,822	9,460	11,576	11,787	11,328	(459)	(248)
7. 1998	XXX	XXX	XXX	XXX	XXX	10,907	10,718	15,360	15,045	15,080	35	(280)
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	11,603	18,095	19,688	20,190	502	2,095
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	21,784	22,628	23,374	746	1,590
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	39,237	38,796	(441)	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	42,046	XXX	XXX
										12. Totals	552	3,521

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	0 0 0	7,420	8,142	9,107	9,362	9,516	9,579	8,174	6,286		XXX	XXX
2. 1993	1,544	3,431	5,543	6,470	7,314	7,962	8,127	8,073	8,132	8,142	XXX	XXX
3. 1994	XXX	2,170	4,762	6,801	7,905	8,638	9,197	9,310	9,505	9,511	XXX	XXX
4. 1995	XXX	XXX	2,357	4,370	6,204	7,297	8,122	8,769	8,972	8,967	XXX	XXX
5. 1996	XXX	XXX	XXX	1,719	3,202	4,523	5,360	6,149	6,682	7,049	XXX	XXX
6. 1997	XXX	XXX	XXX	XXX	3,413	5,995	8,073	9,496	10,935	11,193	XXX	XXX
7. 1998	XXX	XXX	XXX	XXX	XXX	5,848	9,581	11,744	13,098	13,335	XXX	XXX
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	7,989	12,102	15,235	16,726	XXX	XXX
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,699	14,710	17,110	XXX	XXX
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,357	23,239	XXX	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,952	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002
1. Prior	2,354	1,447	649	286	25	4	2			3
2. 1993	4,960	2,096	1,333	651	340	22	6	2		1
3. 1994	XXX	5,286	2,630	1,705	719	386	29	6		3
4. 1995	XXX	XXX	4,629	2,307	1,418	695	363	48		13
5. 1996	XXX	XXX	XXX	3,166	1,624	1,064	515	275		39
6. 1997	XXX	XXX	XXX	XXX	4,889	2,348	1,461	751		387
7. 1998	XXX	XXX	XXX	XXX	XXX	6,085	2,847	1,777		848
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	6,766	3,269		2,283
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,529		4,363
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		14,328
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX
										17,045

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Column 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	Yes	198,803	1,872,252	1,456,508	711,609	1,508,707		
2. Alaska	AK	Yes	164,381	203,620	10,665	7,511			
3. Arizona	AZ	Yes	1,071,305	973,752	500,372	553,621	351,465		
4. Arkansas	AR	Yes	(218,149)	742,747	103,768	248,838	196,113		
5. California	CA	Yes	7,651,389	8,239,651	6,950,321	2,259,191	3,497,045		
6. Colorado	CO	Yes	410,199	523,130	120,780	204,217	173,607		
7. Connecticut	CT	Yes	2,613,418	2,416,962	1,164,097	3,335,164	3,602,520		
8. Delaware	DE	Yes	260,026	329,949	29,720	98,174	200,351		
9. Dist. Columbia	DC	Yes	72,159	53,623					
10. Florida	FL	Yes	7,216,497	6,719,082	3,181,948	3,709,504	3,933,337		
11. Georgia	GA	Yes	1,417,008	1,393,667	528,163	815,177	547,502		
12. Hawaii	HI	Yes	17,363,099	17,132,247	4,294,057	5,922,598	6,505,823		
13. Idaho	ID	Yes	321,896	285,296	754,158	(253,984)	703,777		
14. Illinois	IL	Yes	1,931,466	2,317,604	1,008,331	3,986,576	5,088,898		
15. Indiana	IN	Yes	1,468,023	1,283,265	947,795	338,709	1,282,148		
16. Iowa	IA	Yes	681,931	675,876	147,371	286,317	204,443		
17. Kansas	KS	Yes	375,467	389,752	114,794	274,131	171,551		
18. Kentucky	KY	Yes	510,446	454,811	48,069	215,325	189,197		
19. Louisiana	LA	Yes	1,630,090	1,477,639	1,332,710	1,706,358	1,480,547		
20. Maine	ME	Yes	409,732	347,397	23,194	62,773	39,579		
21. Maryland	MD	Yes	1,301,701	1,480,177	273,762	721,381	745,337		
22. Massachusetts	MA	Yes	2,907,269	3,050,047	575,314	835,334	1,050,814		
23. Michigan	MI	Yes	4,296,879	3,361,645	1,148,559	2,201,978	1,678,558		
24. Minnesota	MN	Yes	3,414,622	2,548,758	268,453	889,241	642,305		
25. Mississippi	MS	Yes	861,230	646,031	256,698	362,717	143,185		
26. Missouri	MO	Yes	1,456,904	1,257,775	459,710	718,135	547,427		
27. Montana	MT	Yes	1,246,589	1,116,831	288,907	1,032,389	852,745		
28. Nebraska	NE	Yes	2,267,865	2,340,637	345,233	822,224	1,479,870		
29. Nevada	NV	Yes	652,354	568,306	111,224	182,783	755,772		
30. New Hampshire	NH	Yes	643,732	459,848	59,745	185,115	130,431		
31. New Jersey	NJ	Yes	3,881,005	2,585,872	720,887	1,646,232	1,443,369		
32. New Mexico	NM	Yes	288,934	289,040	418,157	51,334	627,784		
33. New York	NY	Yes	4,277,274	4,095,478	1,288,908	2,534,913	5,012,385		
34. North Carolina	NC	Yes	6,004,697	5,792,474	1,028,585	3,319,268	2,711,940		
35. North Dakota	ND	Yes	37,261	36,256	5,816	5,816			
36. Ohio	OH	Yes	4,811,166	4,209,399	1,246,407	3,569,044	3,227,804		
37. Oklahoma	OK	Yes	1,314,800	875,759	257,469	227,091	73,889		
38. Oregon	OR	Yes	633,729	766,930	473,482	119,274	329,582		
39. Pennsylvania	PA	Yes	5,612,615	5,271,459	1,256,188	2,603,973	2,397,122		
40. Rhode Island	RI	Yes	8,367	22,110	1,890	1,890			
41. South Carolina	SC	Yes	1,018,650	838,514	371,477	262,439	134,508		
42. South Dakota	SD	Yes	152,082	132,528	18,609	(5,207)	14,161		
43. Tennessee	TN	Yes	1,693,636	1,840,065	185,829	359,244	341,416		
44. Texas	TX	Yes	4,100,805	795,559	304,002	1,089,012	823,432		
45. Utah	UT	Yes	934,387	821,883	532,269	6,743,695	6,378,489		
46. Vermont	VT	Yes	315,543	194,227	6,012	5,141	2,168		
47. Virginia	VA	Yes	3,612,978	3,395,562	725,708	1,883,798	1,665,988		
48. Washington	WA	Yes	1,553,466	1,563,642	478,553	730,897	847,534		
49. West Virginia	WV	Yes	261,145	190,475		18,210	18,210		
50. Wisconsin	WI	Yes	1,879,744	1,405,275	167,040	813,977	650,074		
51. Wyoming	WY	Yes	1,306	8,382					
52. American Samoa	AS	No							
53. Guam	GU	No							
54. Puerto Rico	PR	No							
55. U.S. Virgin Islands	VI	No							
56. Canada	CN	No							
57. Aggregate other alien	OT	XXX							
58. Totals	(a) 51	106,991,921	99,793,266		35,991,714	58,413,147	64,402,909		
DETAILS OF WRITE-INS									
5701	XXX								
5702	XXX								
5703	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX								
5799. Totals (Line 5701 through Line 5703 plus Line 5798) (Line 57 above)	XXX								

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

Premiums are allocated by state on the basis of the location (primarily garaging) of the risk.

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

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

**PART 1 - ORGANIZATIONAL CHART**

	<u>FEIN Number</u>	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
AMERICAN FINANCIAL GROUP, INC.	31-1544320		
AFC HOLDING COMPANY	31-1422526		
AMERICAN FINANCIAL CORPORATION	31-0624874		
One East Fourth, Inc.	31-0686194		
American Premier Underwriters, Inc.	23-6000765		
GAI (Bermuda) Ltd. (Bermuda)			
GAI Insurance Company, Ltd. (Bermuda)*			
Infinity Property and Casualty Corporation	03-0483872		
Atlanta Casualty Company*	58-1132392	21792	OH
American Premier Insurance Company*	31-1287689	37001	IN
Atlanta Casualty Group, Inc.	58-1293110		
Atlanta Reserve Insurance Company*	31-1627506	10968	OH
Atlanta Specialty Insurance Company*	42-1019055	31925	OH
Penn Central U.K. Limited (United Kingdom)			
Insurance (GB) Limited (United Kingdom)*			
Infinity Insurance Company*	31-0943862	22268	IN
The Infinity Group, Inc.	31-1357130		
Infinity National Insurance Company*	31-1358834	10068	IN
Infinity Select Insurance Company*	31-1333017	20260	IN
Leader Insurance Company*	34-0927698	11738	OH
Leader Preferred Insurance Company*	34-1785809	10195	OH
Leader Specialty Insurance Company*	34-1767787	10061	IN
TICO Insurance Company*	75-1227771	39497	OH
Windsor Insurance Company*	58-1806189	12599	IN
American Deposit Insurance Company*	73-0772113	16802	OK
Coventry Insurance Company*	31-1277903	35211	OH
El Aguila Compañía de Seguros, S.A. de C.V. (Mexico)*			
Moore Group Inc.	58-1080659		
Regal Insurance Company*	58-1806192	38873	IN
Republic Indemnity Company of America*	95-2801326	22179	CA
Republic Indemnity Company of California*	31-1054123	43753	CA
Great American Holding, Inc.	Applied For		
Great American Security Insurance Company*	31-1209419	31135	OH
Great American Spirit Insurance Company*	31-1237970	33723	IN
Great American Insurance Company*	31-0501234	16691	OH
AFC Coal Properties, Inc.	31-1487015		
American Empire Surplus Lines Insurance Company*	31-0912199	35351	DE
American Empire Insurance Company*	31-0973761	37990	OH
Fidelity Excess and Surplus Insurance Company*	22-2824607	12203	OH
Brothers Property Corporation	59-2840291		
FCIA Management Company, Inc.	13-3628555		
GAI Warranty Company	31-1753938		
Great American Alliance Insurance Company*	95-1542353	26832	OH
Great American Assurance Company*	15-6020948	26344	OH
Great American Contemporary Insurance Company*	36-4079497	10646	OH
Great American E & S Insurance Company*	31-0954439	37532	DE
Great American Fidelity Insurance Company*	31-1036473	41858	DE
Great American Insurance Company of New York*	13-5539046	22136	NY

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES  
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

Great American Lloyd's Insurance Company* <b>@</b>	31-0974853	38024	TX
Great American Management Services, Inc.	31-0856644		
Great American Protection Insurance Company*	31-1288778	38580	IN
Great Texas County Mutual Insurance Company* <b>@</b>	43-6030348	13820	TX
Mid-Continent Casualty Company*	73-0556513	23418	OK
Mid-Continent Insurance Company*	73-1406844	15380	OK
Oklahoma Surety Company*	73-0773259	23426	OK
National Interstate Corporation	34-1607394		
Hudson Indemnity, Ltd. (Cayman Islands)*			
National Interstate Insurance Company*	34-1607395	32620	OH
National Interstate Insurance Company of Hawaii, Inc.*	99-0345306	11051	HI
PCC 38 Corp.	36-4123081		
Pointe Apartments, Inc.	41-1752820		
Transport Insurance Company*	75-0784127	33014	OH
Worldwide Insurance Company*	39-1341441	26050	OH
Worldwide Direct Auto Insurance Company*	61-6027355	20133	OH
Worldwide Casualty Insurance Company*	61-0983091	39896	OH
<b>Great American Financial Resources, Inc.</b>	06-1356481		
AAG Holding Company, Inc.	31-1475936		
Great American Life Insurance Company*	13-1935920	63312	OH
American Retirement Life Insurance Company*	59-2760189	88366	OH
Annuity Investors Life Insurance Company*	31-1021738	93661	OH
Great American Life Assurance Company*	95-2496321	62200	OH
Great American Life Insurance Company of New York*	13-1996152	67288	NY
Loyal American Life Insurance Company*	63-0343428	65722	OH
Manhattan National Life Insurance Company*	45-0252531	67083	IL
United Teacher Associates, Ltd.	74-2180806		
United Teacher Associates Insurance Company*	58-0869673	63479	TX
Great American Life Assurance Company of Puerto Rico*	66-0258488	73814	PR

\*Denotes Insurer

@ Denotes company which is affiliated but not owned