



ANNUAL STATEMENT

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

AMERICAN EMPIRE INSURANCE COMPANY

NAIC Group Code..... 0084, 0084 NAIC Company Code..... 37990 Employer's ID Number..... 31-0973761
(Current Period) (Prior Period)

Organized under the Laws of OHIO State of Domicile or Port of Entry OHIO
Country of Domicile US
Incorporated..... November 26, 1979 Commenced Business..... August 20, 1980

Statutory Home Office	515 MAIN STREET, CINCINNATI, OH 45202 <i>(Street and Number) (City or Town, State and Zip Code)</i>	
Main Administrative Office	515 MAIN STREET, CINCINNATI, OH 45202 <i>(Street and Number) (City or Town, State and Zip Code)</i>	(513) 369-3000 <i>(Area Code) (Telephone Number)</i>
Mail Address	P.O. BOX 5370, CINCINNATI, OH 45201 <i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i>	
Primary Location of Books and Records	515 MAIN STREET, CINCINNATI, OH 45202 <i>(Street and Number) (City or Town, State and Zip Code)</i>	(513) 369-3000 <i>(Area Code) (Telephone Number)</i>
Internet Website Address	www.aeslic.com	
Statement Contact	T. MATTHEW HELD <i>(Name)</i> mhheld@gaic.com <i>(E-Mail Address)</i>	(513) 369-3040 <i>(Area Code) (Telephone Number) (Extension)</i> (513) 369-3034 <i>(Fax Number)</i>
Policyowner Relations Contact	..... <i>(Street and Number) (City or Town, State and Zip Code)</i>	<i>(Area Code) (Telephone Number) (Extension)</i>

OFFICERS

President ROBERT ALLAN NELSON Treasurer THOMAS MATTHEW HELD Secretary KAREN HOLLEY HORRELL

GARY JOHN GRUBER	CHESTER ANTHONY NALEPA	FREDERICK JAMES WOEBSE	JOHN FREELAND BENISON
LEO ANTHONY HAAS	LEONARD JOHN MIKULSKI	LARRY STEPHEN POTRAFKE	VINCENT ANTHONY SAWMA
RICHARD DUANE WEYHRICH	DAVID LESLIE BLUMBERG	KATHLEEN KUCZAJ #	KATHY LYNN PEREZ #
DAVID ALAN PRELL #	TRENA KAY RYAN #	DAVID WILLIAM SHEPARD #	DIANNE WILLIAMS #
RONALD CHARLES HAYES	EVE CUTLER ROSEN	THOMAS EDWARD MISHELL	FRED JOSEPH RUNK

DIRECTORS OR TRUSTEES

GARY JOHN GRUBER	KAREN HOLLEY HORRELL	KEITH ALAN JENSEN	DONALD DUMFORD LARSON
ROBERT ALLAN NELSON	EVE CUTLER ROSEN	DAVID JOHN WITZGALL	

State of.....OHIO
County of.....HAMILTON

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.

_____ (Signature) ROBERT ALLAN NELSON _____ (Printed Name) President	_____ (Signature) KAREN HOLLEY HORRELL _____ (Printed Name) Secretary	_____ (Signature) THOMAS MATTHEW HELD _____ (Printed Name) Treasurer
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Subscribed and sworn to before me this

...15th.....day ofFebruary....., 2003

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

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds.....	34,070,604	0	34,070,604	23,347,121
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1).....	940,695	0	940,695	0
2.2 Common stocks (Schedule D, Part 2, Section 2).....	723,720	0	723,720	48,459
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....	0	0	0	0
3.2 Other than first liens.....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances).....	0	0	0	0
5. Cash (\$.....432,842 Schedule E, Part 1) and short-term investments (\$.....3,557,083 Schedule DA, Part 2).....	3,989,925	0	3,989,925	246,198
6. Other invested assets (Schedule BA).....	0	0	0	0
7. Receivable for securities.....	223,063	0	223,063	0
8. Aggregate write-ins for invested assets.....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8).....	39,948,007	0	39,948,007	23,641,778
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection.....	5,040,215	26,475	5,013,740	6,552,189
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	0	0	0	0
10.3 Accrued retrospective premiums.....	0	0	0	0
11. Funds held by or deposited with reinsured companies.....	0	0	0	0
12. Bills receivable, taken for premiums.....	0	0	0	0
13. Amounts receivable under high deductible policies.....	0	0	0	0
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8).....	806,025	0	806,025	0
15. Federal and foreign income tax recoverable and interest thereon (including \$.....729,009 net deferred tax asset) - Parent.....	2,140,202	1,411,193	729,009	162,167
16. Guaranty funds receivable or on deposit.....	0	0	0	0
17. Electronic data processing equipment and software.....	0	0	0	0
18. Interest, dividends and real estate income due and accrued.....	473,077	0	473,077	351,386
19. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	0	0	0
20. Receivable from parent, subsidiaries and affiliates.....	19,428	0	19,428	31,570
21. Amount due from/to protected cells.....	0	0	0	0
22. Equities and deposits in pools and associations.....	0	0	0	0
23. Amounts receivable relating to uninsured accident and health plans.....	0	0	0	0
24. Other assets nonadmitted (Exhibit 1).....	506	506	0	0
25. Aggregate write-ins for other than invested assets.....	57,207	0	57,207	0
26. Total assets excluding protected cell assets (Lines 9 through 25).....	48,484,667	1,438,175	47,046,493	30,739,090
27. Protected cell assets.....	0	0	0	0
28. TOTALS (Lines 26 and 27).....	48,484,667	1,438,175	47,046,493	30,739,090

DETAILS OF WRITE-INS

0801.	0	0	0	0
0802.	0	0	0	0
0803.	0	0	0	0
0898. Summary of remaining write-ins for Line 8 from overflow page.....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above).....	0	0	0	0
2501. Other assets.....	57,207	0	57,207	0
2502.	0	0	0	0
2503.	0	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	57,207	0	57,207	0

AMERICAN EMPIRE INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8).....	11,528,523	2,529,553
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6).....	335,064	32,548
3. Loss adjustment expenses (Part 2A, Line 34, Column 9).....	3,215,653	855,752
4. Commissions payable, contingent commissions and other similar charges.....	511,385	142,779
5. Other expenses (excluding taxes, licenses and fees).....	357,652	69,982
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	26,176	6,721
7. Federal and foreign income taxes (including \$.....5,594 on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....	229,941	106,501
8. Borrowed money \$.....0 and interest thereon \$.....0.....	0	0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....7,389,865 and including warranty reserves of \$.....0).....	5,642,068	1,105,585
10. Advance premiums.....	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders.....	0	0
11.2 Policyholders.....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions).....	2,698,563	4,039,177
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	0	0
14. Amounts withheld or retained by company for account of others.....	0	0
15. Remittances and items not allocated.....	0	0
16. Provision for reinsurance (Schedule F, Part 7).....	42,800	30,125
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	0
18. Drafts outstanding.....	0	0
19. Payable to parent, subsidiaries and affiliates.....	61,559	11,159
20. Payable for securities.....	0	0
21. Liability for amounts held under uninsured accident and health plans.....	0	0
22. Capital notes \$.....0 and interest thereon \$.....0.....	0	0
23. Aggregate write-ins for liabilities.....	1,340	136,524
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	24,650,724	9,066,406
25. Protected cell liabilities.....	0	0
26. Total liabilities (Lines 24 and 25).....	24,650,724	9,066,406
27. Aggregate write-ins for special surplus funds.....	0	0
28. Common capital stock.....	3,100,000	3,100,000
29. Preferred capital stock.....	0	0
30. Aggregate write-ins for other than special surplus funds.....	0	0
31. Surplus notes.....	0	0
32. Gross paid in and contributed surplus.....	16,100,000	16,100,000
33. Unassigned funds (surplus).....	3,195,769	2,472,684
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....	0	0
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38).....	22,395,769	21,672,684
36. TOTALS (Page 2, Line 28, Col. 3).....	47,046,493	30,739,090

DETAILS OF WRITE-INS

2301. Reinsurance recoverables on loss and loss adjustment expense payments.....	0	135,711
2302. Other liabilities.....	1,340	813
2303.	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	1,340	136,524
2701.	0	0
2702.	0	0
2703.	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0
3001.	0	0
3002.	0	0
3003.	0	0
3098. Summary of remaining write-ins for Line 30 from overflow page.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

	1 Current Year	2 Prior Year
STATEMENT OF INCOME		
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4).....	9,634,162	1,867,783
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7).....	5,548,381	617,234
3. Loss expenses incurred (Part 3, Line 25, Column 1).....	997,651	407,654
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	241,056	135,344
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	6,787,088	1,160,231
7. Net income of protected cells.....	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	2,847,074	707,552
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	1,891,895	1,814,061
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses)).....	298,031	602,616
11. Net investment gain (loss) (Lines 9 + 10).....	2,189,926	2,416,677
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$....41 amount charged off \$....238).....	(197)	(10)
13. Finance and service charges not included in premiums.....	0	0
14. Aggregate write-ins for miscellaneous income.....	(45)	(529)
15. Total other income (Lines 12 through 14).....	(242)	(539)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15).....	5,036,758	3,123,690
17. Dividends to policyholders.....	0	0
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17).....	5,036,758	3,123,690
19. Federal and foreign income taxes incurred.....	2,927,440	1,120,000
20. Net income (Line 18 minus Line 19) (to Line 22).....	2,109,318	2,003,690
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2).....	21,672,684	21,525,024
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20).....	2,109,318	2,003,690
23. Net unrealized capital gains or (losses).....	63,535	(448,819)
24. Change in net unrealized foreign exchange capital gains (loss).....	0	0
25. Change in net deferred income tax.....	1,238,667	(383,397)
26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3).....	(675,760)	1,102,550
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(12,675)	(9,292)
28. Change in surplus notes.....	0	0
29. Surplus (contributed to) withdrawn from protected cells.....	0	0
30. Cumulative effect of changes in accounting principles.....	0	(117,073)
31. Capital changes:		
31.1 Paid in.....	0	0
31.2 Transferred from surplus (Stock Dividend).....	0	0
31.3 Transferred to surplus.....	0	0
32. Surplus adjustments:		
32.1 Paid in.....	0	0
32.2 Transferred to capital (Stock Dividend).....	0	0
32.3. Transferred from capital.....	0	0
33. Net remittances from or (to) Home Office.....	0	0
34. Dividends to stockholders.....	(2,000,000)	(2,000,000)
35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1).....	0	0
36. Aggregate write-ins for gains and losses in surplus.....	0	0
37. Change in surplus as regards policyholders for the year (Lines 22 through 36).....	723,085	147,660
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35).....	22,395,769	21,672,684
DETAILS OF WRITE-INS		
0501.	0	0
0502.	0	0
0503.	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous expense.....	(45)	(529)
1402.	0	0
1403.	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(45)	(529)
3601.	0	0
3602.	0	0
3603.	0	0
3698. Summary of remaining write-ins for Line 36 from overflow page.....	0	0
3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above).....	0	0

AMERICAN EMPIRE INSURANCE COMPANY

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	14,364,207	1,466,355
2. Loss and loss adjustment expenses paid (net of salvage and subrogation).....	(4,309,330)	469,005
3. Underwriting expenses paid.....	(428,614)	93,251
4. Other underwriting income (expenses).....	0	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....	19,102,151	904,099
6. Net investment income.....	1,766,563	1,639,234
7. Other income (expenses):		
7.1 Agents' balances charged off.....	(197)	(10)
7.2 Net funds held under reinsurance treaties.....	0	0
7.3 Net amount withheld or retained for account of others.....	0	0
7.4 Aggregate write-ins for miscellaneous items.....	(45)	142,983
7.5 Total other income (Lines 7.1 to 7.4).....	(242)	142,973
8. Dividends to policyholders on direct business, less \$.....0 dividends on reinsurance assumed or ceded (net).....	0	0
9. Federal and foreign income taxes (paid) recovered.....	(2,804,000)	(1,108,000)
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9).....	18,064,471	1,578,306
CASH FROM INVESTMENTS		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds.....	11,774,458	11,505,703
11.2 Stocks.....	60,804	1,000
11.3 Mortgage loans.....	0	0
11.4 Real estate.....	0	0
11.5 Other invested assets.....	0	0
11.6 Net gains or (losses) on cash and short-term investments.....	0	0
11.7 Miscellaneous proceeds.....	0	200,906
11.8 Total investment proceeds (Lines 11.1 to 11.7).....	11,835,262	11,707,609
12. Cost of investments acquired (long-term only):		
12.1 Bonds.....	22,095,234	12,438,014
12.2 Stocks.....	1,708,200	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Miscellaneous applications.....	223,063	0
12.7 Total investments acquired (Lines 12.1 to 12.6).....	24,026,497	12,438,014
13. Net cash from investments (Line 11.8 minus Line 12.7).....	(12,191,235)	(730,405)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in.....	(0)	0
14.2 Capital notes \$.....0 less amounts repaid \$.....0.....	0	0
14.3 Net transfers from affiliates.....	62,543	305
14.4 Borrowed funds received.....	0	0
14.5 Other cash provided.....	4,273	298,797
14.6 Total (Lines 14.1 to 14.5).....	66,816	299,102
15. Cash applied:		
15.1 Dividends to stockholders paid.....	2,000,000	2,000,000
15.2 Net transfers to affiliates.....	0	141,841
15.3 Borrowed funds repaid.....	0	0
15.4 Other applications.....	196,325	298,460
15.5 Total (Lines 15.1 to 15.4).....	2,196,325	2,440,301
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5).....	(2,129,510)	(2,141,199)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17. Net change in cash and short-term investments (Line 10 plus Line 13 plus Line 16).....	3,743,727	(1,293,298)
18. Cash and short-term investments:		
18.1 Beginning of year.....	246,198	1,539,496
18.2 End of year (Line 17 plus Line 18.1).....	3,989,925	246,198
DETAILS OF WRITE-INS		
7.401 Miscellaneous income and (expense).....	(45)	142,983
7.402	0	0
7.403	0	0
7.498 Summary of remaining write-ins for Line 7.4 from overflow page.....	0	0
7.499 Total (Lines 7.401 thru 7.403 plus 7.498) (Line 7.4 above).....	(45)	142,983

AMERICAN EMPIRE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business		1	2	3	4
		Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year-per Col. 3 Last Year's Part 2	Unearned Premiums December 31 Current Year-per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire.....	64,414	3,592	23,934	44,072
2.	Allied lines.....	10,926	585	3,920	7,591
3.	Farmowners multiple peril.....	0	0	0	0
4.	Homeowners multiple peril.....	0	0	0	0
5.	Commercial multiple peril.....	1,444,449	75,445	707,749	812,145
6.	Mortgage guaranty.....	0	0	0	0
8.	Ocean marine.....	0	0	0	0
9.	Inland marine.....	45,200	4,152	15,084	34,268
10.	Financial guaranty.....	0	0	0	0
11.1	Medical malpractice - occurrence.....	0	0	0	0
11.2	Medical malpractice - claims-made.....	0	0	0	0
12.	Earthquake.....	133,805	11,265	53,998	91,072
13.	Group accident and health.....	0	0	0	0
14.	Credit accident and health (group and individual).....	0	0	0	0
15.	Other accident and health.....	0	0	0	0
16.	Workers' compensation.....	8,654	397	3,305	5,746
17.1	Other liability - occurrence.....	10,018,122	788,676	3,808,908	6,997,890
17.2	Other liability - claims-made.....	264,786	12,598	111,491	165,893
18.1	Products liability - occurrence.....	514,472	22,265	243,864	292,873
18.2	Products liability - claims-made.....	24,665	6,072	4,530	26,207
19.1, 19.2	Private passenger auto liability.....	0	0	0	0
19.3, 19.4	Commercial auto liability.....	1,560,912	166,318	639,834	1,087,396
21.	Auto physical damage.....	80,192	14,206	25,452	68,946
22.	Aircraft (all perils).....	0	0	0	0
23.	Fidelity.....	0	0	0	0
24.	Surety.....	0	0	0	0
26.	Burglary and theft.....	1	0	0	1
27.	Boiler and machinery.....	0	0	0	0
28.	Credit.....	0	0	0	0
29.	International.....	0	0	0	0
30.	Reinsurance - nonproportional assumed property.....	47	14	0	61
31.	Reinsurance - nonproportional assumed liability.....	0	0	0	0
32.	Reinsurance - nonproportional assumed financial lines.....	0	0	0	0
33.	Aggregate write-ins for other lines of business.....	0	0	0	0
34.	TOTALS	14,170,645	1,105,585	5,642,069	9,634,161

DETAILS OF WRITE-INS

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

AMERICAN EMPIRE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

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

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running more than One Year from Date of Policy) (b)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire.....	23,934	0	0	0	23,934
2.	Allied lines.....	3,920	0	0	0	3,920
3.	Farmowners multiple peril.....	0	0	0	0	0
4.	Homeowners multiple peril.....	0	0	0	0	0
5.	Commercial multiple peril.....	706,813	936	0	0	707,749
6.	Mortgage guaranty.....	0	0	0	0	0
8.	Ocean marine.....	0	0	0	0	0
9.	Inland marine.....	14,719	365	0	0	15,084
10.	Financial guaranty.....	0	0	0	0	0
11.1	Medical malpractice - occurrence.....	0	0	0	0	0
11.2	Medical malpractice - claims-made.....	0	0	0	0	0
12.	Earthquake.....	52,753	1,245	0	0	53,998
13.	Group accident and health.....	0	0	0	0	0
14.	Credit accident and health (group and individual).....	0	0	0	0	0
15.	Other accident and health.....	0	0	0	0	0
16.	Workers' compensation.....	3,305	0	0	0	3,305
17.1	Other liability - occurrence.....	3,782,182	28,206	0	(1,480)	3,808,908
17.2	Other liability - claims-made.....	111,491	0	0	0	111,491
18.1	Products liability - occurrence.....	241,888	1,976	0	0	243,864
18.2	Products liability - claims-made.....	4,530	0	0	0	4,530
19.1, 19.2	Private passenger auto liability.....	0	0	0	0	0
19.3, 19.4	Commercial auto liability.....	620,071	23,281	0	(3,518)	639,834
21.	Auto physical damage.....	25,452	0	0	0	25,452
22.	Aircraft (all perils).....	0	0	0	0	0
23.	Fidelity.....	0	0	0	0	0
24.	Surety.....	0	0	0	0	0
26.	Burglary and theft.....	0	0	0	0	0
27.	Boiler and machinery.....	0	0	0	0	0
28.	Credit.....	0	0	0	0	0
29.	International.....	0	0	0	0	0
30.	Reinsurance - nonproportional assumed property.....	0	0	0	0	0
31.	Reinsurance - nonproportional assumed liability.....	0	0	0	0	0
32.	Reinsurance - nonproportional assumed financial lines.....	0	0	0	0	0
33.	Aggregate write-ins for other lines of business.....	0	0	0	0	0
34.	TOTALS.....	5,591,058	56,009	0	(4,998)	5,642,069
35.	Accrued retrospective premiums based on experience.....					0
36.	Earned but unbilled premiums.....					0
37.	Balance (sum of Lines 34 through 36).....					5,642,069

DETAILS OF WRITE-INS

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

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

AMERICAN EMPIRE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	0	64,414	0	0	0	64,414
2. Allied lines.....	0	10,926	0	0	0	10,926
3. Farmowners multiple peril.....	0	0	0	0	0	0
4. Homeowners multiple peril.....	0	0	0	0	0	0
5. Commercial multiple peril.....	0	1,444,448	5,402	(1,301)	6,702	1,444,449
6. Mortgage guaranty.....	0	0	0	0	0	0
8. Ocean marine.....	0	0	0	0	0	0
9. Inland marine.....	0	45,201	527	468	60	45,200
10. Financial guaranty.....	0	0	0	0	0	0
11.1 Medical malpractice - occurrence.....	0	0	0	0	0	0
11.2 Medical malpractice - claims-made.....	0	0	0	0	0	0
12. Earthquake.....	0	133,807	2,852	1,049	1,805	133,805
13. Group accident and health.....	0	0	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0
15. Other accident and health.....	0	0	0	0	0	0
16. Workers' compensation.....	0	8,654	0	0	0	8,654
17.1 Other liability - occurrence.....	0	10,050,137	5,223,854	2,321,866	2,934,003	10,018,122
17.2 Other liability - claims-made.....	0	268,724	64,878	27,765	41,051	264,787
18.1 Products liability - occurrence.....	0	505,210	2,425,247	1,000,424	1,415,561	514,472
18.2 Products liability - claims-made.....	0	46,978	45,406	44,484	23,235	24,665
19.1, 19.2 Private passenger auto liability.....	0	0	0	0	0	0
19.3, 19.4 Commercial auto liability.....	0	1,722,024	9,040,289	4,061,871	5,139,530	1,560,912
21. Auto physical damage.....	0	80,192	0	4,750	(4,750)	80,192
22. Aircraft (all perils).....	0	0	0	0	0	0
23. Fidelity.....	0	0	0	0	0	0
24. Surety.....	0	0	0	0	0	0
26. Burglary and theft.....	0	1	0	0	0	1
27. Boiler and machinery.....	0	0	0	0	0	0
28. Credit.....	0	0	0	0	0	0
29. International.....	0	47	177	177	0	47
30. Reinsurance - nonproportional assumed property.....	XXX	0	0	0	0	0
31. Reinsurance - nonproportional assumed liability.....	XXX	0	0	0	0	0
32. Reinsurance - nonproportional assumed financial lines.....	XXX	0	0	0	0	0
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
34. TOTALS.....	0	14,380,763	16,808,631	7,461,553	9,557,196	14,170,645

DETAILS OF WRITE-INS

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....	0	(6,102)	0	(6,102)	32,550	3,567	22,881	51.9
2. Allied lines.....	0	4,577	0	4,577	778	96	5,259	69.3
3. Farmowners multiple peril.....	0	0	0	0	0	0	0	0.0
4. Homeowners multiple peril.....	0	(4)	0	(4)	4	1	(1)	0.0
5. Commercial multiple peril.....	0	1,399,201	1,387,179	12,022	414,536	121,147	305,411	37.6
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0.0
8. Ocean marine.....	0	0	0	0	0	0	0	0.0
9. Inland marine.....	0	(10,107)	0	(10,107)	9,578	4,331	(4,860)	(14.2)
10. Financial guaranty.....	0	0	0	0	0	0	0	0.0
11.1 Medical malpractice - occurrence.....	0	0	0	0	0	0	0	0.0
11.2 Medical malpractice - claims-made.....	0	0	0	0	0	0	0	0.0
12. Earthquake.....	0	(17,760)	0	(17,760)	21,430	7,612	(3,942)	(4.3)
13. Group accident and health.....	0	0	0	0	0	0	0	0.0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0.0
15. Other accident and health.....	0	0	0	0	0	0	0	0.0
16. Workers' compensation.....	0	(293,811)	0	(293,811)	304,195	168,054	(157,670)	(2,743.4)
17.1 Other liability - occurrence.....	99,750	(460,461)	2,038,352	(2,399,063)	8,624,522	1,803,366	4,422,093	63.2
17.2 Other liability - claims-made.....	0	(58,242)	0	(58,242)	178,350	39,452	80,656	48.6
18.1 Products liability - occurrence.....	0	(394,820)	73,600	(468,420)	766,225	207,063	90,742	31.0
18.2 Products liability - claims-made.....	0	(17,149)	0	(17,149)	16,877	23,598	(23,870)	(91.1)
19.1, 19.2 Private passenger auto liability.....	0	0	0	0	0	0	0	0.0
19.3, 19.4 Commercial auto liability.....	0	2,868,060	3,053,333	(185,273)	1,114,646	134,892	794,481	73.1
21. Auto physical damage.....	0	9,428	0	9,428	15,539	7,509	17,458	25.3
22. Aircraft (all perils).....	0	(20,685)	0	(20,685)	29,293	8,865	(257)	0.0
23. Fidelity.....	0	0	0	0	0	0	0	0.0
24. Surety.....	0	0	0	0	0	0	0	0.0
26. Burglary and theft.....	0	(1)	0	(1)	0	0	(1)	(100.0)
27. Boiler and machinery.....	0	0	0	0	0	0	0	0.0
28. Credit.....	0	0	0	0	0	0	0	0.0
29. International.....	0	0	0	0	0	0	0	0.0
30. Reinsurance - nonproportional assumed property.....	XXX	0	0	0	0	0	0	0.0
31. Reinsurance - nonproportional assumed liability.....	XXX	0	0	0	0	0	0	0.0
32. Reinsurance - nonproportional assumed financial lines.....	XXX	0	0	0	0	0	0	0.0
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
34. TOTALS.....	99,750	3,002,124	6,552,464	(3,450,590)	11,528,523	2,529,553	5,548,380	57.6

DETAILS OF WRITE-INS

3301.	0	0	0	0	0	0	0	0.0
3302.	0	0	0	0	0	0	0	0.0
3303.	0	0	0	0	0	0	0	0.0
3398. Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0	0	0	0	0.0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0	0	0	0	0.0

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....	0	25,761	0	25,761	(7)	7,188	392	32,550	6,544
2. Allied lines.....	0	(461)	0	(461)	(1)	1,310	70	778	703
3. Farmowners multiple peril.....	0	0	0	0	0	0	0	0	0
4. Homeowners multiple peril.....	0	0	0	0	0	4	0	4	1
5. Commercial multiple peril.....	0	1,729,510	1,484,039	245,471	(19,441)	647,793	459,287	414,536	113,561
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0	0
8. Ocean marine.....	0	0	0	0	0	0	0	0	0
9. Inland marine.....	0	0	0	0	(1,337)	88,258	77,343	9,578	3,621
10. Financial guaranty.....	0	0	0	0	0	0	0	0	0
11.1 Medical malpractice - occurrence.....	0	0	0	0	0	0	0	0	0
11.2 Medical malpractice - claims-made.....	0	0	0	0	0	0	0	0	0
12. Earthquake.....	0	0	0	0	0	111,511	90,081	21,430	9,484
13. Group accident and health.....	0	0	0	0	0	0	0	(a) 0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0	0
15. Other accident and health.....	0	0	0	0	0	0	0	(a) 0	0
16. Workers' compensation.....	0	163,683	0	163,683	0	142,146	1,634	304,195	45,696
17.1 Other liability - occurrence.....	367,500	4,733,271	2,829,972	2,270,799	(33,148)	15,124,570	8,737,699	8,624,522	2,476,449
17.2 Other liability - claims-made.....	0	341,650	300,000	41,650	0	294,142	157,442	178,350	48,486
18.1 Products liability - occurrence.....	0	471,918	382,300	89,618	(13,523)	4,022,521	3,332,391	766,225	237,779
18.2 Products liability - claims-made.....	0	(4,511)	0	(4,511)	0	242,849	221,461	16,877	13,016
19.1, 19.2 Private passenger auto liability.....	0	0	0	0	0	0	0	0	0
19.3, 19.4 Commercial auto liability.....	0	4,949,097	4,612,527	336,570	(91,838)	10,674,305	9,804,391	1,114,646	251,508
21. Auto physical damage.....	0	2,400	0	2,400	(2)	13,191	50	15,539	8,518
22. Aircraft (all perils).....	1,483,530	29,671	1,483,530	29,671	20,325	(378)	20,325	29,293	288
23. Fidelity.....	0	0	0	0	0	0	0	0	0
24. Surety.....	0	0	0	0	0	0	0	0	0
26. Burglary and theft.....	0	0	0	0	0	0	0	0	0
27. Boiler and machinery.....	0	0	0	0	0	0	0	0	0
28. Credit.....	0	0	0	0	0	0	0	0	0
29. International.....	0	0	0	0	0	0	0	0	0
30. Reinsurance - nonproportional assumed property.....	XXX	0	0	0	XXX	0	0	0	0
31. Reinsurance - nonproportional assumed liability.....	XXX	0	0	0	XXX	0	0	0	0
32. Reinsurance - nonproportional assumed financial lines.....	XXX	0	0	0	XXX	0	0	0	0
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
34. TOTALS.....	1,851,030	12,441,989	11,092,368	3,200,651	(138,972)	31,369,410	22,902,566	11,528,523	3,215,654
DETAILS OF WRITE-INS									
3301.	0	0	0	0	0	0	0	0	0
3302.	0	0	0	0	0	0	0	0	0
3303.	0	0	0	0	0	0	0	0	0
3398. Summary of remaining write-ins for Line 33 from overflow page.....	0	0	0	0	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	(12,618)	0	0	(12,618)
1.2 Reinsurance assumed.....	3,756,686	0	0	3,756,686
1.3 Reinsurance ceded.....	2,495,129	0	0	2,495,129
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,248,940	0	0	1,248,940
2. Commission and brokerage:				
2.1 Direct excluding contingent.....	0	0	0	0
2.2 Reinsurance assumed excluding contingent.....	0	1,231,942	0	1,231,942
2.3 Reinsurance ceded excluding contingent.....	0	1,626,272	0	1,626,272
2.4 Contingent - direct.....	0	0	0	0
2.5 Contingent - reinsurance assumed.....	0	(65,533)	0	(65,533)
2.6 Contingent - reinsurance ceded.....	0	0	0	0
2.7 Policy and membership fees.....	0	0	0	0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	(459,863)	0	(459,863)
3. Allowances to managers and agents.....	0	0	0	0
4. Advertising.....	(149)	600	0	451
5. Boards, bureaus and associations.....	(2,224)	5,814	86	3,676
6. Surveys and underwriting reports.....	0	0	0	0
7. Audit of assureds' records.....	0	3,705	0	3,705
8. Salary and related items:				
8.1 Salaries.....	(163,983)	402,565	0	238,582
8.2 Payroll taxes.....	(8,908)	18,634	0	9,726
9. Employee relations and welfare.....	(10,326)	45,278	0	34,952
10. Insurance.....	(89)	162	0	73
11. Directors' fees.....	0	0	0	0
12. Travel and travel items.....	(1,432)	7,371	0	5,939
13. Rent and rent items.....	(15,947)	36,927	0	20,980
14. Equipment.....	(18,436)	36,010	3	17,577
15. Cost or depreciation of EDP equipment and software.....	0	0	0	0
16. Printing and stationery.....	(2,643)	9,537	235	7,129
17. Postage, telephone and telegraph, exchange and express.....	(4,850)	15,365	406	10,921
18. Legal and auditing.....	4,482	4,102	6,699	15,283
19. Totals (Lines 3 to 18).....	(224,505)	586,071	7,429	368,995
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....	0	(161)	0	(161)
20.2. Insurance department licenses and fees.....	11,706	22,827	587	35,120
20.3. Gross guaranty association assessments.....	0	107	0	107
20.4. All other (excluding federal and foreign income and real estate).....	0	5,932	0	5,932
20.5. Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	11,706	28,705	587	40,998
21. Real estate expenses.....	0	0	0	0
22. Real estate taxes.....	0	0	0	0
23. Reimbursements by uninsured accident and health plans.....	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses.....	(38,490)	86,144	50,797	98,450
25. Total expenses incurred.....	997,651	241,056	58,812	(a) 1,297,519
26. Less unpaid expenses - current year.....	3,215,653	878,957	16,256	4,110,865
27. Add unpaid expenses - prior year.....	855,752	209,288	10,195	1,075,235
28. Amounts receivable relating to uninsured accident and health plans, prior year.....	0	0	0	0
29. Amounts receivable relating to uninsured accident and health plans, current year.....	0	0	0	0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	(1,362,250)	(428,613)	52,751	(1,738,111)

DETAILS OF WRITE-INS

2401. Outside Services.....	(37,821)	83,003	50,797	95,979
2402. Other expenses.....	(669)	3,141	0	2,472
2403.	0	0	0	0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	(38,490)	86,144	50,797	98,450

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

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....200,098	.....223,237
1.1 Bonds exempt from U.S. tax.....	(a).....42,483	.....45,306
1.2 Other bonds (unaffiliated).....	(a).....1,426,857	.....1,478,523
1.3 Bonds of affiliates.....	(a).....0	.....0
2.1 Preferred stocks (unaffiliated).....	(b).....73,508	.....117,571
2.11 Preferred stocks of affiliates.....	(b).....0	.....0
2.2 Common stocks (unaffiliated).....	.....11,000	.....11,000
2.21 Common stocks of affiliates.....	.....0	.....0
3. Mortgage loans.....	(c).....0	.....0
4. Real estate.....	(d).....0	.....0
5. Contract loans.....	.....0	.....0
6. Cash/short-term investments.....	(e).....75,070	.....75,070
7. Derivative instruments.....	(f).....0	.....0
8. Other invested assets.....	.....0	.....0
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....1,829,016	.....1,950,707
11. Investment expenses.....		(g).....58,225
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....587
13. Interest expense.....		(h).....0
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		.....58,812
17. Net investment income (Line 10 minus Line 16).....		.....1,891,895

DETAILS OF WRITE-INS

0901.	0	0
0902.	0	0
0903.	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0
1501.	0	0
1502.	0	0
1503.	0	0
1598. Summary of remaining write-ins for Line 15 from overflow page.....	0	0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	0	0

- (a) Includes \$.....107,758 accrual of discount less \$.....127,501 amortization of premium and less \$.....195,025 paid for accrued interest on purchases.
- (b) Includes \$.....29,445 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. government bonds.....	0	0	0	0	0
1.1 Bonds exempt from U.S. tax.....	0	0	0	0	0
1.2 Other bonds (unaffiliated).....	296,060	0	129,390	0	425,450
1.3 Bonds of affiliates.....	0	0	0	0	0
2.1 Preferred stocks (unaffiliated).....	0	0	0	0	0
2.11 Preferred stocks of affiliates.....	0	0	0	0	0
2.2 Common stocks (unaffiliated).....	1,970	0	(65,130)	0	(63,160)
2.21 Common stocks of affiliates.....	0	0	0	0	0
3. Mortgage loans.....	0	0	0	0	0
4. Real estate.....	0	0	0	0	0
5. Contract loans.....	0	0	0	0	0
6. Cash/short-term investments.....	0	0	0	0	0
7. Derivative instruments.....	0	0	0	0	0
8. Other invested assets.....	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0	0
10. Total capital gains (losses).....	298,030	0	64,260	0	362,290

DETAILS OF WRITE-INS

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

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) Decrease
1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2.....	1,437,668	761,571	(676,097)
2. Other Nonadmitted Assets:			
2.1 Bills receivable.....	.0	.0	.0
2.2 Furniture, equipment and supplies.....	.506	.844	.338
2.3 Leasehold improvements.....	.0	.0	(0)
2.4 Loans on personal security, endorsed or not.....	.0	.0	(0)
3. Total (Lines 2.1 to 2.4).....	.507	.844	.337
4. Aggregate write-ins for other assets.....	.0	.0	.0
5. Total (Line 1 plus Lines 3 and 4).....	1,438,175	762,415	(675,760)

DETAILS OF WRITE-INS

0401.....	.0	.0	.0
0402.....	.0	.0	.0
0403.....	.0	.0	.0
0498. Summary of remaining write-ins for Line 4 from overflow page.....	.0	.0	.0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....	.0	.0	.0

NOTES TO FINANCIAL STATEMENTS

1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements of American Empire Insurance Company ("the Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for purposes of determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed or permitted practices by the state of Ohio.

Use of Estimates in the Preparation of the Financial Statements

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

B. Accounting Policies

Investments – Invested asset values are generally stated as follows:

1. Bonds, including issuer obligations, mortgage-backed securities and asset-backed securities rated 1 and 2 are stated at amortized cost using the interest method; all others are stated at the lower of amortized cost or market. For mortgage-backed and asset-backed securities, dealer modeled prepayment assumptions are used at the date of purchase to determine effective yields; significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis.
2. Preferred stocks with mandatory sinking funds rated RP1 and RP2 are stated at amortized cost; perpetual preferred stocks rated P1 and P2 are stated at market; all others are stated at the lower of cost, amortized cost, or market.
3. Common stocks are stated at market except investment in subsidiaries.
4. Investments in insurance subsidiaries are stated at the statutory equity in net assets. Investments in non-insurance subsidiaries are stated at NAIC specific values.
5. Short-term investments are stated at cost.

- C. Unpaid Losses and Loss Adjustment Expense Reserves - The net liabilities stated for unpaid claims and for expenses of investigation and adjustment of unpaid claims are based upon (a) the accumulation of case estimates for losses reported prior to the close of the accounting period on the direct business written; (b) estimates received from ceding reinsurers and insurance pools and associations; (c) estimates of unreported losses and development on reported losses based on past experience; (d) estimates based on experience of expenses for investigating and adjusting claims, the total being reduced for portions ceded to other insurers; (e) the current state of the law and coverage litigation; and (f) estimates based on experience of receipts from salvage and subrogation. These liabilities are subject to the impact of changes in claim amounts and frequency and other factors. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate. Changes in estimates of the liabilities for losses and loss adjustment expenses are reflected in the statement of income in the period in which determined.

Premium Deficiency Reserve – The Company uses anticipated investment income as a factor in premium deficiency calculations.

Premium Recognition - Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods.

Underwriting Expense Recognition - Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

2.) ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

- A. The Company did not have any material changes in accounting principles and/or corrections of errors, other than the items disclosed in Note 2B.
- B. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the state of Ohio. The State of Ohio required that insurance companies domiciled in the state of Ohio prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedure Manual* subject to any deviation prescribed by the State of Ohio insurance commissioner.

NOTES TO FINANCIAL STATEMENTS

2.) ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS (Continued)

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedure Manual* are reported as changes in accounting principles. The cumulative effect of the changes in principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in the accounting principle. As a result of these changes, the Company reported a change of accounting principles, an adjustment that decreased unassigned funds (surplus), of \$117,073 as of January 1, 2001. The components of the adjustment are as follows:

Net deferred tax assets	\$211,293
Investment in affiliates	(9,833)
Disallowance of assumed receivables	(319,533)
Schedule P liability	1,000
Total	(\$117,073)

3.) BUSINESS COMBINATIONS AND GOODWILL

A. Statutory Purchase Method

The Company was not a party to any purchase transactions during 2002.

B. Merger

The Company was not a party to any merger transactions during 2002.

C. Impairment Loss

Not applicable.

4.) DISCONTINUED OPERATIONS

None.

5.) INVESTMENTS

A. Mortgage Loans, including Mezzanine Real Estate Loans.

The Company does not have any investment in mortgage loans, including mezzanine real estate loans.

B. Debt Restructuring

No debt has been restructured.

C. Reverse Mortgages

The Company does not invest in reverse mortgages.

D. Loan-Backed Securities

The Company uses dealer-modeled prepayment assumptions for mortgage-backed and asset-backed securities at the date of purchase to determine effective yields; significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis. In determining the market value of its loan-backed securities, the Company obtains the majority of its pricing from dealer quotes. When dealer quotes are unavailable, the Company uses EJV Partners, L. P. pricing service or management estimates.

E. Repurchase Agreements

The Company does not invest in repurchase agreements.

6.) JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7.) INVESTMENT INCOME

There were no exclusions of due and accrued investment income from surplus.

8.) DERIVATIVE INSTRUMENTS

The Company's investment objectives do not include holding or issuing derivative financial instruments.

NOTES TO FINANCIAL STATEMENTS

9.) INCOME TAXES

A. The components of the net deferred tax assets/liabilities at December 31 are as follows:

Total of all deferred tax assets	\$2,173,631
Total of all deferred tax liabilities	33,429
Total of net deferred tax assets	<u>\$2,140,202</u>
Total of all deferred tax assets non-admitted	<u>\$1,411,193</u>
Change in non-admitted deferred tax assets	<u>\$671,825</u>

B. The Company has recognized all deferred tax liabilities.

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

	<u>2001</u>	<u>2002</u>
Current year income tax	\$1,122,901	\$2,924,298
Prior period tax adjustment	(2,794)	3,142
Current income taxes incurred	<u>\$1,120,107</u>	<u>\$2,927,440</u>

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

<u>Deferred Tax Assets resulting from book/tax differences in:</u>	2001	2002	Difference
Unrealized Losses	\$627,200	\$91,000	(\$536,200)
Reserves	223,813	897,048	673,235
Unearned premiums	77,391	395,387	317,996
Contingent commissions	49,876	178,036	128,160
Property Retro Premium	9,692	45,459	35,768
Contingent Salary	16,482	92,594	76,112
Securities	8,750	443,100	434,350
Other	14,295	31,007	16,712
Total Deferred Tax Assets	<u>\$1,027,499</u>	<u>\$2,173,631</u>	<u>\$1,146,132</u>
Deferred Tax Assets Non-admitted	<u>\$739,368</u>	<u>\$1,411,193</u>	<u>(\$671,825)</u>

<u>Deferred Tax Liabilities resulting from book/tax differences in:</u>	2001	2002	Difference
Securities	\$124,250	\$10,500	\$113,750
Change in Accrued Dividends	0	15,422	(15,422)
Salvage and subrogation	1,703	7,507	(5,804)
Other	12	0	12
Total Deferred Tax Liabilities	<u>\$125,965</u>	<u>\$33,429</u>	<u>\$92,536</u>
Net deferred Tax Assets	<u>\$901,534</u>	<u>\$2,140,202</u>	<u>\$1,238,668</u>

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The significant book to tax adjustments were as follows:

	Amount	Tax Effect at 35%
Income before taxes	\$5,036,758	\$1,762,865
Prior period tax adjustment	33,939	11,879
Dividend received deduction	(34,266)	(11,993)
Tax exempt interest deduction	(37,516)	(13,131)
Other items	(1,705,852)	(597,048)
Taxable income	<u>\$3,293,063</u>	<u>\$1,152,572</u>
Federal and foreign income taxes incurred		\$2,927,440
Change in net deferred income taxes excluding unrealized		(1,774,868)
Total statutory income taxes		<u>\$1,152,572</u>

E. Operating Loss Carry Forwards and Income Taxes Available for Recoupment:

At December 31, 2001, the Company had no net operating loss carry forwards.

The amount of federal income taxes incurred and available for recoupment in the event of future net losses: Current year \$2,924,298; first preceding year \$1,125,936; second preceding year \$34,410.

NOTES TO FINANCIAL STATEMENTS

9.) INCOME TAXES (Continued)

F. The Company's federal income tax return is consolidated.

1. The Company's federal income tax return is consolidated with the following entities:

AAG Holding Company, Inc.	AAG Insurance Agency, Inc.
AAG Insurance Agency of Alabama, Inc.	AAG Insurance Agency of Massachusetts, Inc.
AAG Insurance Agency of Texas, Inc.	ADL Financial Services, Inc.
AFC Coal Properties, Inc.	American Commonwealth Development Company
American DataSolutions International, Inc.	American Deposit Insurance Company
American Empire Insurance Company	American Empire Surplus Lines Insurance Company
American Empire Underwriters, Inc.	American Financial Corporation
American Financial Corporation (Inactive)	American Financial Enterprises, Inc.
American Insurance Agency, Inc.	American Memorial Marketing Services, Inc.
American Money Management Corporation	American Payroll Services, Inc.
American Premier Insurance Company	American Premier Underwriters, Inc.
American Retirement Life Insurance Company	American Signature Underwriters, Inc.
American Special Risk, Inc.	Ann Arbor Railroad Company (The)
Annuity Investors Life Insurance Company	Associates of the Jersey Company (The)
Atlanta Casualty Company	Atlanta Casualty General Agency, Inc.
Atlanta Casualty Group, Inc.	Atlanta Insurance Brokers, Inc.
Atlanta Reserve Insurance Company	Atlanta Specialty Insurance Company
Aviation Specialty Managers, Inc.	Brothers Pennsylvanian Corporation
Brothers Port Richey Corporation	Brothers Property Corporation
Brothers Property Management Corporation	Brothers Railyard Corporation
Budget Insurance Premiums, Inc.	Cal Coal, Inc.
Charleston Harbor Marina, Inc.	CHATBAR, Inc.
Chatham Enterprises, Inc.	Consolidated Financial Corporation
Coventry Insurance Company	Crop Managers Insurance Agency, Inc.
CSW Management Services, Inc.	Delbay Corporation
Dempsey & Siders Agency, Inc.	Detroit Manufacturers Railroad Company
Dixie Terminal Corporation	Driskill Holdings, Inc.
Dudley L. Moore Insurance, Inc.	Eden Park Insurance Brokers, Inc.
ESC, Inc.	Fairmont Holdings, Inc.
FCIA Management Company, Inc.	Fidelity Excess and Surplus Insurance Company
FlexTech Holding Co., Inc.	FWC Corporation
GAI Warranty Company	GAI Warranty Company of Florida
Gains Group, Inc. (The)	GALIC Brothers, Inc.
GALIC Disbursing Company	Global Premier Finance Company
Granite Finance Co., Inc.	Great American Advisors, Inc.
Great American Agency of Texas, Inc.	Great American Alliance Insurance Company
Great American Assurance Company	Great American Claims Services, Inc.
Great American Contemporary Insurance Company	Great American Custom Insurance Services California, Inc.
Great American Custom Insurance Services Illinois, Inc.	Great American Custom Insurance Services, Inc.
Great American Custom Insurance Services Massachusetts, Inc.	Great American Custom Solutions, Inc.
Great American E & S Insurance Company	Great American Fidelity Insurance Company
Great American Financial Resources, Inc.	Great American Holding, Inc.
Great American Insurance Agency, Inc.	Great American Insurance Company
Great American Insurance Company of New York	Great American Life Assurance Company
Great American Life Insurance Company	Great American Lloyd's, Inc.
Great American Lloyd's Insurance Company	Great American Management Services, Inc.
Great American Protection Insurance Company	Great American Re Inc.
Great American Security Insurance Company	Great American Spirit Insurance Company
Great Southwest Corporation	Grizzly Golf Center, Inc.
Hangar Acquisition Corp.	Indianapolis Union Railway Company (The)
Infinity Agency of Texas, Inc.	Infinity Group, Inc. (The)
Infinity Insurance Company	Infinity National Insurance Company
Infinity Property and Casualty Corporation	Infinity Select Insurance Company
Instech Corporation	Integrated Display Systems, Inc.
Key Largo Group, Inc.	Keyes-Graham Insurance Agency, Inc.
Laurentian Credit Services Corporation	Laurentian Marketing Services, Inc.
Laurentian Securities Corporation	Leader Group, Inc.
Leader Insurance Company	Leader Managing General Agency, Inc.
Leader National Agency, Inc.	Leader Preferred Insurance Company
Leader Specialty Insurance Company	Lehigh Valley Railroad Company
Lifestyle Financial Investments, Inc.	Lifestyle Financial Investments Agency of Ohio, Inc.
Lifestyle Financial Investments of Indiana, Inc.	Lifestyle Financial Investments of the Northwest, Inc.
Loyal American Life Insurance Company	Loyal Marketing Services, Inc.
Marathon Manufacturing Companies, Inc.	Marathon Manufacturing Company
Mid-Continent Casualty Company	Mid-Continent Insurance Company
Money-Plan International, Inc.	Moore Group Inc.
New York and Harlem Railroad Company (The)	Oklahoma Surety Company
One East Fourth, Inc.	Owasco River Railway, Inc. (The)
PCC 38 Corp.	PCC Chicago Realty Corp.
PCC Gun Hill Realty Corp.	PCC Maryland Realty Corp.
PCC Michigan Realty, Inc.	PCC Real Estate, Inc.

NOTES TO FINANCIAL STATEMENTS

9.) INCOME TAXES (Continued)

PCC Scarsdale Realty Corp.	PCC Technical Industries, Inc.
Penn Camarillo Realty Corp.	Penn Central Energy Management Company
Penn Towers, Inc.	Pennsylvania Company
Pioneer Carpet Mills, Inc.	Pittsburgh and Cross Creek Railroad Company
PLLS, Ltd.	Pointe Apartments, Inc.
Premier Dealer Services, Inc.	Premier Lease & Loan Services Insurance Agency, Inc.
Premier Lease & Loan Services of Canada, Inc.	Professional Risk Brokers of Connecticut, Inc.
Professional Risk Brokers, Inc.	Professional Risk Brokers of Ohio, Inc.
Purity Financial Corporation	Regal Insurance Company
Republic Indemnity Company of America	Republic Indemnity Company of California
Republic Indemnity Medical Management, Inc.	Risico Management Corporation
Skipjack Marina Corp.	Solid State Scientific Hi-Rel, Inc.
Solid State Scientific International, Inc.	Stone Mountain Professional Liability Agency, Inc.
Superior NWN of Ohio, Inc.	SWTC, Inc.
TEJ Holdings, Inc.	Terminal Realty Penn Co.
Texas Windsor Group, Inc.	Three East Fourth, Inc.
TICO Insurance Company	Transport Insurance Company
Treaty House, Ltd. (d/b/a Mr. Budget)	United Railroad Corp.
United Teacher Associates, Ltd.	Waynesburg Southern Railroad Company
Windsor Group, Inc.	Windsor Insurance Company
World Houston, Inc.	Worldwide Casualty Insurance Company
Worldwide Direct Auto Insurance Company	Worldwide Insurance Company

2. Tax payments and the recoupment (in the event of future losses) of tax paid pursuant to the tax allocation agreement are computed on a separate company basis as determined in accordance with generally accepted accounting principles, based upon the rules provided by the Internal Revenue Code of 1986 as amended.

10.) INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. The Company is an indirect 100% owned subsidiary of American Financial Group, Inc.; 100% of the outstanding common stock of the Company is directly owned by American Empire Surplus Lines Insurance Company. See Schedule Y, Part 1, Organizational Chart.
- B. Detail of Transactions Greater than 1/2% of Admitted Assets

The Company paid a dividend of \$2,000,000 to its parent, American Empire Surplus Lines Insurance Company, December 31, 2002.
- C. Change in terms of Intercompany Arrangements - None
- D. Amounts Due to or from Related Parties - The Company has a receivable due from American Empire Surplus Lines Insurance Company in the amount of \$890,360 as a result of its pooling agreement. The terms of the pooling agreement require that these amounts be settled within sixty days.
- E. Guarantees or Contingencies for Related Parties - None.
- F. Management or service contracts and all cost sharing arrangements involving the Company or any affiliated insurer:
 1. The Company and affiliated insurance companies have contracts with American Money Management Corporation (an affiliate) which, subject to the direction of the Finance Committees of the companies, provide for management and accounting services related to the investment portfolios.
 2. Certain administrative, consultative, printing, office duplicating, telecommunications, purchasing, personnel, data processing and other services are provided under General Services Agreements between the Company and insurance and non-insurance affiliates for which actual costs are allocated on the basis of usage.
 3. Certain administrative, management, accounting, data processing, underwriting, claim, collection and investment services are provided under agreements between the Company and affiliates at charges not unfavorable to the Company or insurance affiliates.
- G. The Company is an indirect 100% owned subsidiary of American Financial Group, Inc.; 100% of the outstanding common stock of the Company is directly owned by American Empire Surplus Lines Insurance Company. See Schedule Y, Part 1, Organizational Chart.
- H. The Company owns no shares, either directly or indirectly, of an upstream intermediate or ultimate parent.
- I. The Company has no investments in Subsidiary Controlled Affiliates greater than 10% of admitted assets
- J. Investments in impaired Subsidiary, Controlled or Affiliated Companies during the statement period – Not applicable.

11.) DEBT

- A. The Company does not have any capital note obligations.
- B. The Company does not have any outstanding liability for borrowed money.

NOTES TO FINANCIAL STATEMENTS

12.) RETIREMENT PLAN, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS**A. Defined Benefit Plans**

The Company does not have any defined benefit plans.

B. Defined Contribution Plans

The Company does not have any defined contribution plans.

C. Multiemployer Plans

The Company does not have any multiemployer plans.

D. Consolidated/Holding Company Plans**Employee Retirement Plan**

All employees meeting minimum requirements regarding service are eligible to participate in the American Financial Group Retirement and Savings Plan established by American Financial Group, Inc. (Parent) for the benefit of employees of American Financial Group, Inc. and its participating subsidiaries. The Plan is a defined contribution plan in which participating employees are entitled to share in contributions made by the Company on their behalf. The Plan has three types of contributions, including (1) Retirement Contributions made by the Company, (2) 401(k) Contributions made by participating employees, and (3) Matching Contributions made by the Company. The benefits for the Retirement Contributions Account are based on eligible compensation for each year of participation. Funding is determined annually. Each employer contributes an amount for the Retirement Contributions Account based upon the relationship of its total eligible compensation to total eligible compensation under the Plan. In addition, participating employees are permitted to make 401(k) Contributions to the Plan. Matching Contributions may be made by the Company based on the amount of 401(k) Contributions made by the participating employees. Plan costs are funded as they accrue and vested benefits are fully funded. Both Retirement Contributions and Matching Contributions to the Plan are subject to the discretion of the Board of Directors of the Company, and the Company has no liability for future contributions to the Plan. At December 31, 2002, the fair market value of the Plan's Retirement Contributions Account assets was \$243,364,068 and the fair market value of the Plan's Matching Contributions Account assets was \$12,764,826. The Company's share of the expense for the Plan during 2001 was \$4,800.

Postretirement Benefit Plan

The Company provides postretirement health care and life insurance benefits to employees meeting age and service requirements through plans sponsored by American Financial Group, Inc. The retiree medical care plan is a contributory plan covering all eligible employees hired prior to 1993; employees hired after 1992 pay the full cost of retiree medical coverage. The Company currently pays the full cost of life insurance coverage for eligible retirees. The medical plan is funded by monthly payments to a trust. Life insurance benefits are provided by insurance contracts. American Financial Group, Inc. has the right to modify or terminate either of these plans in the future. The Company has the right to terminate its participation at any time in the future.

The Company accrues its postretirement benefits over the period the employees qualify for such benefits. At December 31, 2002, the Company's accumulated postretirement benefit obligation was \$10,992 using a discount rate of 6.75% of which \$14,213 is currently accrued. Net postretirement benefits costs for the year ended December 31, 2002, were \$2,210 which includes service cost, interest cost and amortization of the transition obligation.

The weighted average annual assumed rate of increase in the health care cost trend rate is 10% for 2003 and is assumed to decrease gradually to 5% over 5 years and to remain at that level thereafter. The effect of a 1% increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation at December 31, 2002 by (\$21).

E. Postemployment Benefits and Compensated Absences

The Company has accrued for postemployment benefits and compensated absences in accordance with SSAP No. 11.

13.) CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

A. The Company has 1,000 shares of common stock authorized, issued and outstanding at a par value of \$3,100.

B. The Company has no preferred stock outstanding.

C. The maximum amount of dividends or distributions which may be paid to stockholders by property/casualty insurance companies domiciled in the State of Ohio without (i) prior approval or (ii) expiration of a 30 day waiting period without disapproval of the Director of Insurance is the greater of net income or 10% of policyholders' surplus as of the preceding December 31, but only to the extent of earned surplus as of the preceding December 31. The maximum amount of ordinary dividends or distributions which may be paid in 2003 is \$2,239,577. based on policyholders' surplus.

D. Within the limitations of (C) above, there are no specific restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

E. There were no restrictions placed on the Company's unassigned funds.

NOTES TO FINANCIAL STATEMENTS

F. Mutual Surplus Advances - Not applicable.

13.) CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS (Continued)

G. No stock of the Company or its affiliates is held by it for special purposes.

H. There have been no changes in balances of special surplus funds from the prior year.

I. The portion of unassigned funds represented or reduced by each item below is as follows:

Description	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
1. Unrealized gain or loss	(\$907,892)	(\$447,665)
2. Nonadmitted assets	(1,438,175)	(675,760)
3. Asset valuation reserve	0	(25,000)
4. Provision for reinsurance	(42,800)	(12,675)
Total decrease	(\$2,388,867)	(\$1,161,100)

J. The Company does not have any surplus debentures or similar obligations.

K. Quasi Reorganizations - Not applicable.

14.) CONTINGENCIES

A. Contingent Commitments

The Company does not have any contingent commitments.

B. Assessments

The Company has received notifications of insolvency of a number of insurance companies. It is expected that these insolvencies will result in guaranty fund assessments against the Company at some future date. The Company has accrued for these assessments.

C. Gain Contingencies

The Company does not have any gain contingencies.

D. All Other Contingencies

The Company is named as defendant in various legal actions arising principally from claims made under insurance policies and contracts. Those actions are considered in estimating the loss and loss adjustment expense reserves. The Company's management believes that the resolution of those actions will not have a material effect on its financial position or results of operations.

15.) LEASES

A. Lessee Operating Lease

The Company does not have any lease obligations.

B. Lessor Leases

The Company is not a party to any lessor leases.

C. Leveraged Leases

The company is not a party to leveraged leases.

16.) INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The Company does not have any financial instruments with off-balance-sheet risk.

17.) SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A. Transfers of Receivables reported as Sales

The Company did not sell any receivable balances during 2002.

B. Transfer and Servicing of Financial Assets

The Company was not involved in any Transfers and Servicing of Financial Assets during 2002.

NOTES TO FINANCIAL STATEMENTS

C. Wash Sales

The Company was not involved in any wash sale transactions during 2002.

18.) GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A & H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The Company does not serve as an administrator for uninsured accident and health plans or uninsured portions of partially insured plans.

19.) DIRECT PREMIUM WRITTEN PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

The Company did not have any direct premium written by a Managing General Agent or third party administrator.

20.) OTHER ITEMS

A. Extraordinary Items – Not applicable.

B. Troubled Debt Restructuring for Debtors – Not applicable.

C. Other Disclosures – Not applicable

D. Uncollectible account receivables

The Company routinely assesses the collectibility of the receivables. Based on Company experience, less than ½ of 1% of the balances may become uncollectible and the potential for loss is not material to the Company's financial condition.

E. Reinsurance accounted for as a deposit – Not applicable.

F. Multiple Peril Crop Insurance

The Company does not write multiple crop insurance.

G. Mezzanine Real Estate Loans

The Company does not have any investment in mezzanine real estate loans.

H. Health Care Receivables – Not applicable.

I. September 11 Events

The Company had no exposure to losses resulting from the September 11 events.

J. Real Estate - Not applicable.

K. Participating Policies - Not applicable.

L. Premium Deficiency Reserve - Not applicable.

M. Noncash Transactions

1. Exchange of equity securities	\$51,750
2. Securities transferred as dividends/return of capital distributon	1,079,527
3. Securities acquired in satisfaction of I/C receivable balances	8,832,700

21.) EVENTS SUBSEQUENT

There have not been any events subsequent to December 31, 2002, which may have a material effect on the financial condition of the Company.

22.) REINSURANCE

A. Unsecured Reinsurance Recoverable

The Company's unsecured aggregate reinsurance recoverables from any individual reinsurer that exceeds 3% of its policyholders' surplus are:

<u>Company</u>	<u>NAIC Company Code</u>	<u>Federal Employer or ISI Identification Number</u>	<u>Amount</u>
Odyssey America Reinsurance Company	23680	47-0698507	\$9,743,627
Berkley Insurance Company	32603	47-0574325	8,286,143
GE Reinsurance Corporation	22969	36-2667627	3,512,683
Odyssey Reinsurance Corporation	25070	13-2781282	1,652,816
Great American Insurance Company	16691	31-0501234	1,513,952
Hannover Ruckversicherungs Ag	00000	AA-1340125	731,500

NOTES TO FINANCIAL STATEMENTS

B. Reinsurance Recoverable in Dispute

The Company does not have any reinsurance recoverables on losses in dispute that individually exceed 5% or in the aggregate exceed 10% of its policyholders' surplus.

22.) REINSURANCE (Continued)

C. Reinsurance Assumed and Ceded

1. The Company's maximum amount of return commission due as a result of cancellation as of December 31, 2002, of all reinsurance agreements would be:

	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates – Pooling	\$5,642,068	\$157,003	\$2,430,091	\$245,547	\$3,211,977	(\$88,544)
Affiliates - Non-Pooling	5,857,000	292,850	711,000	213,000	5,146,000	79,550
All Other	1,532,865	146,477	4,248,774	839,828	(2,715,909)	(693,351)
TOTAL	\$13,031,933	\$596,330	\$7,389,865	\$1,298,675	\$5,642,068	(\$702,344)

Direct Unearned Premium Reserve \$0

2. Additional or return commission resulting from existing contractual arrangements are accrued as follows:

	DIRECT	REINSURANCE		NET
		Assumed	Ceded	
Contingent Commission	\$0	\$20,752	\$35,455	(\$14,703)
Sliding Scale Adjustments	0	0	0	0
Other Profit Commission Arrangements	0	0	0	0
TOTAL	\$0	\$20,752	\$35,455	(\$14,703)

3. Protected Cells - Not applicable.

D. Uncollectible Reinsurance

The Company has not written off any uncollectible reinsurance during 2002.

E. Commutation of Reinsurance Ceded

The Company did not have any commutation of ceded reinsurance during 2002.

F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements in force.

23.) RETROSPECTIVELY RATED CONTRACTS

The Company does not have any accrued retrospectively rated premiums as admitted assets.

24.) CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table provides an analysis of the change in loss and loss adjustment expense reserves net of reinsurance recoverables for the past two years (in thousands):

	2001	2002
Balance at beginning of period	\$2,864	\$3,385
Loss and loss adjustment expense incurred:		
Current accident year	1,655	7,376
Prior accident years	(630)	(830)
	1,025	6,546
Loss and loss adjustment expense payments made for:		
Current accident year	(137)	(489)
Prior accident years	(367)	5,302
	(504)	4,813
Balance at end of period	\$3,385	\$14,744

NOTES TO FINANCIAL STATEMENTS

25.) INTERCOMPANY POOLING ARRANGEMENTS

The Company maintains an inter-company reinsurance pooling agreement with its parent, American Empire Surplus Lines Insurance Company. Effective January, 1 2002, the pooling agreement was amended to eliminate the participation of one of the Company's affiliates. The effect of the amended agreement is to transfer all net insurance liabilities of the Company to American Empire Surplus Lines Insurance Company and to cede a specified percentage of the net underwriting results of American Empire Surplus Lines Insurance Company to the Company as follows:

Company	NAIC Company Code Number	Prior Participation Percentage	Amended Participation Percentage
American Empire Surplus Lines Insurance Company	35351	92.0%	90.0%
American Empire Insurance Company	37790	3.0%	10.0%
Fidelity Excess and Surplus Insurance Company	12203	5.0%	0.0%
		100.0%	100.0%

All lines of business are subject to the pooling agreement.

The Company protects itself from excessive loss on any one risk through a variety of property and casualty reinsurance agreements, including catastrophe coverage. All non-affiliate cessions are prior to the cession of pooled business.

All pool participants are parties to reinsurance agreements with non-affiliated reinsurers and have a contractual right of direct recovery from non-affiliated reinsurers per the terms of such reinsurance agreements.

The Company does not have any discrepancies between entries regarding pooled business on its assumed and ceded reinsurance schedules and corresponding entries on the assumed and ceded reinsurance schedules of other pool participants.

The Company's Provision for Reinsurance and write-off of uncollectible reinsurance is not shared with other pool participants.

26.) STRUCTURED SETTLEMENTS

- A. The Company has not purchased any annuities under which it is owner and payee to fund future payments that are fixed.
- B. The Company has not purchased any annuities due from any life insurer exceeding 1% of the Company's policyholders' surplus.

27.) HIGH DEDUCTIBLES

The Company does not issue policies subject to high deductibles.

28.) DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expenses.

29.) ASBESTOS/ENVIRONMENTAL RESERVES

The Company has exposure to asbestos and environmental claims through the sale of general liability insurance. The Company's exposure to asbestos and environmental claims is reported in accordance with the pooling agreement (Note 25).

The Company attempts to estimate the full impact of the asbestos and environmental exposure by establishing full case basis reserves on all known losses and computing incurred but not reported losses based on previous experience.

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

Asbestos Reserves

	Gross of Reinsurance				
	1998	1999	2000	2001	2002
Beginning Reserves	\$2,719	\$2,317	\$2,065	\$1,142	\$3,722
Incurred Losses and LAE	(109)	(34)	560	3,239	(550)
Paid Losses and LAE	293	218	1,483	659	443
Ending Reserves	\$2,317	\$2,065	\$1,142	\$3,722	\$2,729
	Net of Reinsurance				
	1998	1999	2000	2001	2002
Beginning Reserves	\$2,719	\$2,317	\$2,065	\$1,142	\$3,722
Incurred Losses and LAE	(109)	(34)	560	3,239	(550)
Paid Losses and LAE	293	218	1,483	659	443
Ending Reserves	\$2,317	\$2,065	\$1,142	\$3,722	\$2,729

The Company's asbestos related IBNR and allocated loss adjustment expense reserves held at December 31, 2002 were as follows:

<u>IBNR Reserves</u>	<u>Allocated LAE Reserves</u>

NOTES TO FINANCIAL STATEMENTS

Gross of Reinsurance	\$0	\$541
Net of Reinsurance	0	541

29.) ASBESTOS/ENVIRONMENTAL RESERVES (Continued)Environmental Reserves

	Gross of Reinsurance				
	1998	1999	2000	2001	2002
Beginning Reserves	\$1,081,684	\$1,334,577	\$970,330	\$1,669,844	\$728,617
Incurred Losses and LAE	(408,365)	434,509	1,040,904	(874,315)	109,933
Paid Losses and LAE	(661,257)	798,756	341,390	66,912	144,631
Ending Reserves	<u>\$1,334,577</u>	<u>\$970,330</u>	<u>\$1,669,844</u>	<u>\$728,617</u>	<u>\$693,919</u>

	Net of Reinsurance				
	1998	1999	2000	2001	2002
Beginning Reserves	\$930,200	\$1,228,112	\$868,740	\$1,578,925	\$523,060
Incurred Losses and LAE	(399,751)	425,155	1,029,326	(1,007,187)	16,221
Paid Losses and LAE	(697,662)	784,527	319,141	48,678	24,410
Ending Reserves	<u>\$1,228,112</u>	<u>\$868,740</u>	<u>\$1,578,925</u>	<u>\$523,060</u>	<u>\$514,871</u>

The Company's environmental related IBNR and allocated loss adjustment expense reserves held at December 31, 2002 were as follows:

	Allocated	
	IBNR Reserves	LAE Reserves
Gross of Reinsurance	\$450,000	\$18,748
Net of Reinsurance	450,000	14,700

30.) SUBSCRIBER SAVINGS ACCOUNTS

The Company is not a reciprocal exchange and, accordingly, has nothing to report.

31.) FINANCIAL GUARANTY INSURANCE EXPOSURES

The Company does not have any financial guaranty insurance exposures.

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.....	5,539,294	13.9	5,539,294	13.9
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....	0	0.0	0	0.0
1.22 Issued by U.S. government sponsored agencies.....	0	0.0	0	0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....	748,778	1.9	748,778	1.9
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....	0	0.0	0	0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....	0	0.0	0	0.0
1.43 Revenue and assessment obligations.....	1,008,170	2.5	1,008,170	2.5
1.44 Industrial development and similar obligations.....	0	0.0	0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA.....	0	0.0	0	0.0
1.512 Issued by FNMA and FHLMC.....	0	0.0	0	0.0
1.513 Privately issued.....	0	0.0	0	0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC.....	2,013,513	5.0	2,013,513	5.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....	0	0.0	0	0.0
1.523 All other privately issued.....	0	0.0	0	0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....	24,760,849	62.0	24,760,849	62.0
2.2 Unaffiliated foreign securities.....	0	0.0	0	0.0
2.3 Affiliated securities.....	0	0.0	0	0.0
3. Equity interests:				
3.1 Investments in mutual funds.....	0	0.0	0	0.0
3.2 Preferred stocks:				
3.21 Affiliated.....	0	0.0	0	0.0
3.22 Unaffiliated.....	940,695	2.4	940,695	2.4
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....	0	0.0	0	0.0
3.32 Unaffiliated.....	723,720	1.8	723,720	1.8
3.4 Other equity securities:				
3.41 Affiliated.....	0	0.0	0	0.0
3.42 Unaffiliated.....	0	0.0	0	0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....	0	0.0	0	0.0
3.52 Unaffiliated.....	0	0.0	0	0.0
4. Mortgage loans:				
4.1 Construction and land development.....	0	0.0	0	0.0
4.2 Agricultural.....	0	0.0	0	0.0
4.3 Single family residential properties.....	0	0.0	0	0.0
4.4 Multifamily residential properties.....	0	0.0	0	0.0
4.5 Commercial loans.....	0	0.0	0	0.0
5. Real estate investments:				
5.1 Property occupied by company.....	0	0.0	0	0.0
5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt).....	0	0.0	0	0.0
5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....	0	0.0	0	0.0
6. Policy loans.....	0	0.0	0	0.0
7. Receivables for securities.....	223,063	0.6	223,063	0.6
8. Cash and short-term investments.....	3,989,925	10.0	3,989,925	10.0
9. Other invested assets.....	0	0.0	0	0.0
10. Total invested assets.....	39,948,007	100.0	39,948,007	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [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 that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/1996

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). _____ 05/06/1998

3.4 By what department or departments? OHIO AND DELAWARE

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

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]

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

4.21 sales of new business? Yes [] No [X]

4.22 renewals? Yes [] No [X]

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

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
NOT APPLICABLE	00000	

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:
NOT APPLICABLE

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.0.000 %

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

1 Nationality	2 Type of Entity
NOT APPLICABLE	

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
ERNST & YOUNG LLP, 1300 CHIQUITA CENTER, 250 EAST FIFTH STREET, CINCINNATI, OHIO 45202
-
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
MR. JOHN L. DOELLMAN, F.C.A.S., M.A.A.A., VICE PRESIDENT AND ACTUARY, GREAT AMERICAN INSURANCE COMPANY, AN AFFILIATE
580 WALNUT STREET, CINCINNATI, OHIO 45202
-
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?
NOT APPLICABLE
-
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [X] No []
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 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 \$.....0
- 14.12 To stockholders not officers \$.....0
- 14.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.21 To directors or other officers \$.....0
- 14.22 To stockholders not officers \$.....0
- 14.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- 15.21 Rented from others \$.....0
- 15.22 Borrowed from others \$.....0
- 15.23 Leased from others \$.....0
- 15.24 Other \$.....0
- Disclose in the Notes to Financial the nature of each obligation.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 16.2 If answer is yes:
- 16.21 Amount paid as losses or risk adjustment \$.....0
- 16.22 Amount paid as expenses \$.....0
- 16.23 Other amounts paid \$.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred.....	0.000	0.000	0.00	0	Yes [] No []	Yes [] No []
Common.....	1,000.000	1,000.000	3,100.00	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 [X] No []

18.2 If no, give full and complete information relating thereto.
NOT APPLICABLE

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

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

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

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

- 19.31 NOT APPLICABLE
- 19.32 NOT APPLICABLE
- 19.33 NOT APPLICABLE
- 19.34 NOT APPLICABLE
- 19.35 NOT APPLICABLE
- 19.36 NOT APPLICABLE
- 19.37 NOT APPLICABLE
- 19.38 NOT APPLICABLE
- 19.39 NOT APPLICABLE

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
NOT APPLICABLE		0

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
THE BANK OF NEW YORK	ONE WALL STREET, NEW YORK, NY 10286

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)
NOT APPLICABLE		

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
NOT APPLICABLE			

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
N/A	AMERICAN MONEY MANAGEMENT CORPORATION	1 EAST FOURTH STREET, CINCINNATI, OH 45202

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

\$.....39,637

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE	31,220

24.1 Amount of payments for legal expenses, if any?

\$.....0

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
NOT APPLICABLE	0

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

\$.....0

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

1 Name	2 Amount Paid
NOT APPLICABLE	0

GENERAL INTERROGATORIES (continued)

Part 2 - Property and Casualty Interrogatories

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes []	No [X]
1.2	If yes, indicate premium earned on U.S. business only.	\$.....	0
1.3	What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....	0
1.31	Reason for excluding: <u>NOT APPLICABLE</u>		
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$.....	0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$.....	0
1.6	Individual policies:		
	Most current three years:		
1.61	Total premium earned	\$.....	0
1.62	Total incurred claims	\$.....	0
1.63	Number of covered lives	.....	0
	All years prior to most current three years:		
1.64	Total premium earned	\$.....	0
1.65	Total incurred claims	\$.....	0
1.66	Number of covered lives	.....	0
1.7	Group policies:		
	Most current three years:		
1.71	Total premium earned	\$.....	0
1.72	Total incurred claims	\$.....	0
1.73	Number of covered lives	.....	0
	All years prior to most current three years:		
1.74	Total premium earned	\$.....	0
1.75	Total incurred claims	\$.....	0
1.76	Number of covered lives	.....	0
2.1	Does the reporting entity issue both participating and non-participating policies?	Yes []	No [X]
2.2	If yes, state the amount of calendar year premiums written on:		
2.21	Participating	\$.....	0
2.22	Non-participating policies	\$.....	0
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?	.....	0.0 %
3.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$.....	0
4.	For Reciprocal Exchanges only:		
4.1	Does the exchange appoint local agents?	Yes []	No []
4.2	If yes, is the commission paid:		
4.21	Out of Attorney's-in-fact compensation	Yes []	No [] N/A [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? <u>NOT APPLICABLE</u>		
4.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred?	Yes []	No []
4.5	If yes, give full information: <u>NOT APPLICABLE</u>		
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? <u>THE COMPANY HAS NOT WRITTEN ANY WORKERS' COMPENSATION CONTRACTS.</u>		
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: <u>THE COMPANY MEASURES AGGREGATE IN-FORCE WIND AND EARTHQUAKE EXPOSURES ON A MONTHLY BASIS, WIND EXPOSURES ARE EVALUATED IN ALL COASTAL COUNTIES, EARTHQUAKE IN ALL ZONES. CALIFORNIA EARTHQUAKE EXPOSURE ON EACH RISK IS MODELED USING IRAS.</u>		
5.3	What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable property insurance loss? <u>THE COMPANY HAS PROPERTY CATASTROPHE REINSURANCE IN FORCE.</u>		
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. <u>NOT APPLICABLE</u>		
6.1	Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?	Yes []	No [X]
6.2	If yes, indicate the number of reinsurance contracts containing such provisions.	.....	0

GENERAL INTERROGATORIES (continued)

Part 2 - Property and Casualty Interrogatories (continued)

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

7.2 If yes, give full information:

NOT APPLICABLE

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

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

9.2 If yes, give full information:

NOT APPLICABLE

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 \$.....0

10.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....0

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

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

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

10.41 From0.0 %

10.42 To0.0 %

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

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

10.61 Letters of credit \$.....0

10.62 Collateral and other funds \$.....0

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

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

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

12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....800,000

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

12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.1

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

13.2 If yes, give full information:

NOT APPLICABLE

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 NOT APPLICABLE

14.12 Number of parcels involved0

14.13 Total book/adjusted carrying value \$.....0

14.2 If yes, provide explanation

NOT APPLICABLE

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

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

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
15.11 Home.....	.....0	.....0	.....0	.....0	.....0
15.12 Products.....	.....0	.....0	.....0	.....0	.....0
15.13 Automobile.....	.....0	.....0	.....0	.....0	.....0
15.14 Other*.....	.....0	.....0	.....0	.....0	.....0

* Disclose type of coverage: NOT APPLICABLE

FIVE-YEAR HISTORICAL DATA

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

	1 2002	2 2001	3 2000	4 1999	5 1998
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	29,401,400	20,724,387	7,108,918	3,462,715	2,649,068
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	337,920	154,367	541,780	540,103	427,982
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,449,850	444,113	1,322,855	1,725,289	1,275,438
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	224	.0	.0	.0	.0
5. Non-proportional reinsurance lines (Lines 30, 31 & 32).....	.0	2,237	30,228	51,519	120,893
6. Total (Line 34).....	31,189,394	21,325,105	9,003,782	5,779,626	4,473,381
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	12,391,611	2,057,223	1,249,739	267,574	294,548
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	334,538	65,008	68,962	45,721	56,093
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,444,449	138,730	71,426	136,928	150,985
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	47	.0	.0	.0	.0
11. Non-proportional reinsurance lines (Lines 30, 31 & 32).....	.0	58	736	1,399	3,357
12. Total (Line 34).....	14,170,645	2,261,020	1,390,864	451,622	504,983
Statement of Income (Page 4)					
13. Net underwriting gain (Loss) (Line 8).....	2,847,074	707,552	411,253	181,478	156,675
14. Net investment gain (loss) (Line 11).....	2,189,926	2,416,677	2,137,049	1,613,609	1,717,409
15. Total other income (Line 15).....	(242)	(539)	921	2,357	2,562
16. Dividends to policyholders (Line 17).....	.0	.0	.0	.0	.0
17. Federal and foreign income taxes incurred (Line 19).....	2,927,440	1,120,000	736,000	485,000	608,000
18. Net income (Line 20).....	2,109,318	2,003,690	1,813,223	1,312,444	1,268,646
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Col. 3).....	47,046,493	30,739,090	25,589,818	25,791,796	26,080,290
20. Agents' balances or uncollected premiums (Page 2, Col. 3):					
20.1 In course of collection (Line 10.1).....	5,013,740	6,552,189	1,419,887	768,043	588,827
20.2 Deferred and not yet due (Line 10.2).....	.0	.0	.0	.0	.0
20.3 Accrued retrospective premiums (Line 10.3).....	.0	.0	.0	.0	.0
21. Total liabilities excluding Protected Cell (Page 3, Line 24).....	24,650,724	9,066,406	4,064,795	4,747,806	5,439,914
22. Losses (Page 3, Lines 1 & 2).....	11,863,587	2,562,101	2,295,667	3,486,949	3,377,301
23. Loss adjustment expenses (Page 3, Line 3).....	3,215,653	855,752	603,127	661,115	840,056
24. Unearned premiums (Page 3, Line 9).....	5,642,068	1,105,585	712,349	188,589	210,012
25. Capital paid up (Page 3, Lines 28 & 29).....	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
26. Surplus as regards policyholders (Page 3, Line 35).....	22,395,769	21,672,684	21,525,023	21,043,990	20,640,377
Risk-Based Capital Analysis					
27. Total adjusted capital.....	22,395,769	21,672,684	21,525,023	21,043,990	20,640,377
28. Authorized control level risk-based capital.....	2,435,036	1,251,410	797,491	824,473	879,715
Percentage Distribution of Cash and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0					
29. Bonds (Line 1).....	85.3	98.8	92.4	89.3	92.2
30. Stocks (Lines 2.1 & 2.2).....	4.2	0.2	0.3	1.5	2.9
31. Mortgage loans on real estate (Lines 3.1 & 3.2).....	0.0	0.0	0.0	0.0	0.0
32. Real estate (Lines 4.1, 4.2 & 4.3).....	0.0	0.0	0.0	0.0	0.0
33. Cash and short-term investments (Line 5).....	10.0	1.0	6.5	9.1	4.9
34. Other invested assets (Line 6).....	0.0	0.0	0.0	0.0	0.0
35. Receivable for securities (Line 7).....	0.6	0.0	0.8	0.1	0.0
36. Aggregate write-ins for invested assets (Line 8).....	0.0	0.0	0.0	0.0	0.0
37. Cash and invested assets (Line 9).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
38. Affiliated bonds (Sch. D, Summary, Line 25, Col. 1).....	.0	.0	.0	.0	.0
39. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1).....	.0	.0	.0	.0	.0
40. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2).....	.0	.0	75,717	359,656	724,044
41. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11).....	.0	.0	.0	.0	.0
42. Affiliated mortgage loans on real estate.....	.0	.0	.0	.0	.0
43. All other affiliated.....	.0	.0	.0	.0	.0
44. Total of above lines 38 to 43.....	.0	.0	75,717	359,656	724,044
45. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0).....	0.0	0.0	0.4	1.7	3.5

AMERICAN EMPIRE INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2002	2001	2000	1999	1998
Capital and Surplus Accounts (Page 4)					
46. Net unrealized capital gains (losses) (Line 23).....	63,535	(448,819)	(298,220)	(364,388)	(511,127)
47. Dividends to stockholders (Line 34).....	(2,000,000)	(2,000,000)	(1,000,000)	(1,000,000)	(1,800,000)
48. Change in surplus as regards policyholders for the year (Line 37).....	723,085	147,660	481,033	403,613	(1,477,646)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
49. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	1,743,327	1,900,787	2,434,195	1,771,317	1,921,588
50. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	(19,965)	31,997	6,625	(1,730)	311,089
51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,378,512	431,193	(81,108)	3,123,631	5,546,680
52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	0	0	0	0	0
53. Nonproportional reinsurance lines (Lines 30, 31 & 32).....	0	631	69,093	2,817	25,031
54. Total (Line 34).....	3,101,874	2,364,608	2,428,805	4,896,035	7,804,388
Net Losses Paid (Page 9, Part 2, Col. 4)					
55. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	(3,421,958)	286,610	764,373	437,141	358,091
56. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	(19,965)	31,997	6,625	(2,203)	7,872
57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	(8,667)	30,170	64,787	43,270	73,875
58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	0	0	0	0	0
59. Nonproportional reinsurance lines (Lines 30, 31 & 32).....	0	18	68,540	2,645	23,914
60. Total (Line 34).....	(3,450,590)	348,795	904,325	480,853	463,752
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).....	57.6	33.0	13.2	(9.8)	36.3
63. Loss expenses incurred (Line 3).....	10.4	21.8	22.4	42.1	4.3
64. Other underwriting expenses incurred (Line 4).....	2.5	7.2	16.9	29.4	32.4
65. Net underwriting gain (loss) (Line 8).....	29.6	37.9	47.4	38.4	27.0
Other Percentages					
66. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0).....	1.7	6.0	10.5	30.3	36.7
67. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	67.9	54.9	35.6	32.2	40.5
68. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0).....	63.3	10.4	6.5	2.1	2.4
One Year Loss Development (000 omitted)					
69. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	119	(493)	(197)	(358)	(128)
70. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 69 above divided by Page 4, Line 21, Col. 1 x 100).....	0.5	(2.3)	(0.9)	(1.7)	(0.6)
Two Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(1,922)	(908)	(550)	(431)	(191)
72. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second year end (Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(8.9)	(4.3)	(2.7)	(1.9)	(0.9)

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.....	5,539,294	5,839,669	5,597,602	5,435,000
	2. Canada.....	748,778	810,465	743,865	750,000
	3. Other Countries.....	0	0	0	0
	4. Totals.....	6,288,072	6,650,134	6,341,467	6,185,000
States, Territories and Possessions (Direct and guaranteed)	5. United States.....	0	0	0	0
	6. Canada.....	0	0	0	0
	7. Other Countries.....	0	0	0	0
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	0	0	0	0
	10. Canada.....	0	0	0	0
	11. Other Countries.....	0	0	0	0
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....	3,021,683	3,025,870	3,022,570	3,000,000
	14. Canada.....	0	0	0	0
	15. Other Countries.....	0	0	0	0
	16. Totals.....	3,021,683	3,025,870	3,022,570	3,000,000
Public Utilities (unaffiliated)	17. United States.....	8,615,928	8,853,775	8,633,700	8,500,000
	18. Canada.....	0	0	0	0
	19. Other Countries.....	0	0	0	0
	20. Totals.....	8,615,928	8,853,775	8,633,700	8,500,000
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....	16,144,921	16,981,668	16,315,084	16,029,717
	22. Canada.....	0	0	0	0
	23. Other Countries.....	0	0	0	0
	24. Totals.....	16,144,921	16,981,668	16,315,084	16,029,717
Parent, Subsidiaries and Affiliates	25. Totals.....	0	0	0	0
	26. Total Bonds.....	34,070,604	35,511,447	34,312,821	33,714,717
PREFERRED STOCKS					
Public Utilities (Unaffiliated)	27. United States.....	0	0	0	0
	28. Canada.....	0	0	0	0
	29. Other Countries.....	0	0	0	0
	30. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	0	0	0	0
	32. Canada.....	0	0	0	0
	33. Other Countries.....	0	0	0	0
	34. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....	940,695	1,425,000	911,250	0
	36. Canada.....	0	0	0	0
	37. Other Countries.....	0	0	0	0
	38. Totals.....	940,695	1,425,000	911,250	0
Parent, Subsidiaries and Affiliates	39. Totals.....	0	0	0	0
	40. Total Preferred Stocks.....	940,695	1,425,000	911,250	0
COMMON STOCKS					
Public Utilities (Unaffiliated)	41. United States.....	0	0	0	0
	42. Canada.....	0	0	0	0
	43. Other Countries.....	0	0	0	0
	44. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....	690,600	690,600	745,200	0
	46. Canada.....	0	0	0	0
	47. Other Countries.....	0	0	0	0
	48. Totals.....	690,600	690,600	745,200	0
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	33,120	33,120	43,650	0
	50. Canada.....	0	0	0	0
	51. Other Countries.....	0	0	0	0
	52. Totals.....	33,120	33,120	43,650	0
Parent, Subsidiaries and Affiliates	53. Totals.....	0	0	738,426	0
	54. Total Common Stocks.....	723,720	723,720	1,527,276	0
	55. Total Stocks.....	1,664,415	2,148,720	2,438,526	0
	56. Total Bonds and Stocks...	35,735,019	37,660,167	36,751,347	0

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year.....	23,395,580	6. Foreign exchange adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	23,803,434	6.1 Column 17, Part 1.....	0
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	0
3.1 Column 16, Part 1.....	(83,816)	6.3 Column 11, Part 2, Section 2.....	0
3.2 Column 12, Part 2, Section 1.....	29,445	6.4 Column 11, Part 4.....	0
3.3 Column 10, Part 2, Section 2.....	(65,130)		
3.4 Column 10, Part 4.....	192,738	7. Book/adjusted carrying value at end of current period.....	35,735,019
4. Total gain (loss), Column 14, Part 4.....	298,030	8. Total valuation allowance.....	0
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4.....	11,835,262	9. Subtotal (Lines 7 plus 8).....	35,735,019
		10. Total nonadmitted amounts.....	0
		11. Statement value of bonds and stocks, current period.....	35,735,019

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX	132	53	46	18	34	17	0	124	XXX
2. 1993.....	6,327	2,507	3,820	2,943	1,197	700	221	193	4	4	2,413	XXX
3. 1994.....	6,793	2,752	4,042	2,386	886	770	245	206	25	12	2,207	XXX
4. 1995.....	6,195	2,626	3,569	2,582	1,233	474	139	221	23	17	1,883	XXX
5. 1996.....	5,534	2,547	2,986	1,417	709	371	163	206	23	32	1,100	XXX
6. 1997.....	4,863	2,361	2,502	1,613	828	252	95	237	46	9	1,132	XXX
7. 1998.....	3,684	1,752	1,932	645	176	268	97	170	13	21	798	XXX
8. 1999.....	2,821	1,244	1,577	1,001	467	133	27	187	22	2	806	XXX
9. 2000.....	4,831	1,940	2,890	1,691	667	290	64	120	1	3	1,367	XXX
10. 2001.....	11,072	4,846	6,226	1,999	681	325	93	160	6	20	1,704	XXX
11. 2002.....	20,111	10,477	9,634	740	362	40	14	92	7	2	489	XXX
12. Totals.....	XXX	XXX	XXX	17,150	7,260	3,668	1,176	1,826	187	122	14,022	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	1,130	779	1,455	444	128	66	383	109	85	23	10	1,758	XXX
2. 1993.....	4	1	125	42	1	0	25	4	14	7	1	113	XXX
3. 1994.....	42	20	115	41	3	1	23	5	15	7	1	123	XXX
4. 1995.....	50	22	113	49	12	3	20	6	18	9	1	124	XXX
5. 1996.....	219	145	120	54	4	2	21	7	19	10	2	164	XXX
6. 1997.....	165	81	109	52	11	3	17	6	39	21	2	178	XXX
7. 1998.....	185	82	111	53	5	0	15	5	24	13	2	187	XXX
8. 1999.....	127	49	164	72	16	3	20	4	37	18	2	217	XXX
9. 2000.....	671	212	859	235	71	15	179	32	98	38	12	1,348	XXX
10. 2001.....	1,905	757	2,777	1,007	180	51	619	191	268	100	34	3,644	XXX
11. 2002.....	1,736	884	8,191	3,761	117	38	1,936	846	649	213	64	6,887	XXX
12. Totals..	6,233	3,032	14,139	5,811	547	181	3,258	1,215	1,265	459	130	14,744	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	1,361	397
2. 1993.	4,004	1,478	2,526	63.3	58.9	66.1	0	0	10.00	85	28
3. 1994.	3,560	1,230	2,330	52.4	44.7	57.6	0	0	10.00	96	28
4. 1995.	3,490	1,483	2,007	56.3	56.5	56.2	0	0	10.00	91	32
5. 1996.	2,377	1,113	1,264	42.9	43.7	42.3	0	0	10.00	139	25
6. 1997.	2,443	1,133	1,311	50.2	48.0	52.4	0	0	10.00	141	37
7. 1998.	1,424	439	985	38.7	25.1	51.0	0	0	10.00	161	26
8. 1999.	1,684	661	1,023	59.7	53.1	64.9	0	0	10.00	170	47
9. 2000.	3,979	1,264	2,715	82.4	65.1	93.9	0	0	10.00	1,084	264
10. 2001.	8,234	2,886	5,348	74.4	59.6	85.9	0	0	10.00	2,918	726
11. 2002.	13,502	6,126	7,376	67.1	58.5	76.6	0	0	10.00	5,282	1,605
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	11,529	3,216

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.....	17,937	16,551	16,004	14,690	14,662	14,203	14,030	14,335	13,039	12,493	(546)	(1,842)
2. 1993.....	3,068	3,104	2,937	3,017	2,906	2,853	2,709	2,395	2,350	2,331	(19)	(64)
3. 1994.....	XXX	2,515	2,566	2,671	2,660	2,641	2,465	2,254	2,152	2,141	(11)	(113)
4. 1995.....	XXX	XXX	2,620	2,437	2,401	2,490	2,261	2,060	1,793	1,800	7	(260)
5. 1996.....	XXX	XXX	XXX	1,814	1,740	1,803	1,635	1,397	1,113	1,072	(41)	(325)
6. 1997.....	XXX	XXX	XXX	XXX	1,453	1,410	1,287	1,248	1,056	1,102	46	(146)
7. 1998.....	XXX	XXX	XXX	XXX	XXX	1,030	846	900	795	816	21	(84)
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	944	924	851	839	(12)	(85)
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,538	2,265	2,536	271	998
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,619	5,026	407	XXX
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,855	XXX	XXX
12. Totals.....											122	(1,922)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1 1993	2 1994	3 1995	4 1996	5 1997	6 1998	7 1999	8 2000	9 2001	10 2002	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior.....	000	2,181	4,121	5,443	6,276	6,185	7,822	10,521	10,690	10,797	XXX	XXX
2. 1993.....	223	656	1,154	1,569	1,945	2,110	2,154	2,170	2,219	2,225	XXX	XXX
3. 1994.....	XXX	222	631	1,114	1,528	1,767	1,944	1,990	2,019	2,025	XXX	XXX
4. 1995.....	XXX	XXX	288	713	970	1,269	1,419	1,560	1,579	1,685	XXX	XXX
5. 1996.....	XXX	XXX	XXX	157	386	679	837	881	912	916	XXX	XXX
6. 1997.....	XXX	XXX	XXX	XXX	184	385	547	716	844	941	XXX	XXX
7. 1998.....	XXX	XXX	XXX	XXX	XXX	150	267	463	573	640	XXX	XXX
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	88	290	437	641	XXX	XXX
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	103	527	1,249	XXX	XXX
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	337	1,550	XXX	XXX
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	404	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.....	10,941	7,991	6,414	7,082	6,483	6,080	4,557	3,292	1,988	1,284
2. 1993.....	2,438	1,783	1,296	1,053	758	649	510	205	116	103
3. 1994.....	XXX	1,633	1,273	952	727	602	429	224	106	92
4. 1995.....	XXX	XXX	1,866	1,339	1,081	901	663	376	94	78
5. 1996.....	XXX	XXX	XXX	1,408	1,000	795	620	393	98	79
6. 1997.....	XXX	XXX	XXX	XXX	1,050	714	519	352	96	69
7. 1998.....	XXX	XXX	XXX	XXX	XXX	714	419	278	114	68
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	637	458	166	108
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,250	1,001	771
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,418	2,199
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,520

AMERICAN EMPIRE INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	Yes	0	0	0	0	0	0	0	0
2. Alaska.....AK	Yes	0	0	0	0	(28,987)	19,504	0	0
3. Arizona.....AZ	Yes	0	0	0	0	(34)	45	0	0
4. Arkansas.....AR	Yes	0	0	0	0	(10)	0	0	0
5. California.....CA	Yes	0	0	0	0	(1,608)	1,020	0	0
6. Colorado.....CO	Yes	0	0	0	0	(176)	83	0	0
7. Connecticut.....CT	Yes	0	0	0	0	2	(9)	0	0
8. Delaware.....DE	Yes	0	0	0	0	0	0	0	0
9. District of Columbia.....DC	Yes	0	0	0	0	0	0	0	0
10. Florida.....FL	Yes	0	0	0	0	0	0	0	0
11. Georgia.....GA	Yes	0	0	0	0	0	0	0	0
12. Hawaii.....HI	Yes	0	0	0	0	0	0	0	0
13. Idaho.....ID	Yes	0	0	0	0	(161)	108	0	0
14. Illinois.....IL	Yes	0	0	0	0	0	0	0	0
15. Indiana.....IN	Yes	0	0	0	0	(73)	27	0	0
16. Iowa.....IA	Yes	0	0	0	0	(10)	0	0	0
17. Kansas.....KS	Yes	0	0	0	0	(30)	0	0	0
18. Kentucky.....KY	Yes	0	0	0	0	0	0	0	0
19. Louisiana.....LA	Yes	0	0	0	0	0	0	0	0
20. Maine.....ME	No	0	0	0	0	0	0	0	0
21. Maryland.....MD	Yes	0	0	0	0	0	0	0	0
22. Massachusetts.....MA	No	0	0	0	0	0	0	0	0
23. Michigan.....MI	Yes	0	0	0	0	(807)	498	0	0
24. Minnesota.....MN	Yes	0	0	0	0	(228)	106	0	0
25. Mississippi.....MS	Yes	0	0	0	0	0	0	0	0
26. Missouri.....MO	Yes	0	0	0	0	(81)	63	0	0
27. Montana.....MT	Yes	0	0	0	0	(73)	27	0	0
28. Nebraska.....NE	Yes	0	0	0	0	(42)	18	0	0
29. Nevada.....NV	Yes	0	0	0	0	(25)	0	0	0
30. New Hampshire.....NH	No	0	0	0	0	0	0	0	0
31. New Jersey.....NJ	Yes	0	0	0	0	1	0	0	0
32. New Mexico.....NM	Yes	0	0	0	0	(10)	0	0	0
33. New York.....NY	Yes	0	0	0	99,750	152,225	348,753	0	0
34. North Carolina.....NC	Yes	0	0	0	0	0	0	0	0
35. North Dakota.....ND	Yes	0	0	0	0	0	0	0	0
36. Ohio.....OH	Yes	0	0	0	0	(68)	27	0	0
37. Oklahoma.....OK	Yes	0	0	0	0	(25)	0	0	0
38. Oregon.....OR	Yes	0	0	0	0	(1,072)	760	0	0
39. Pennsylvania.....PA	No	0	0	0	0	0	0	0	0
40. Rhode Island.....RI	Yes	0	0	0	0	0	0	0	0
41. South Carolina.....SC	Yes	0	0	0	0	0	0	0	0
42. South Dakota.....SD	Yes	0	0	0	0	0	0	0	0
43. Tennessee.....TN	Yes	0	0	0	0	(15)	0	0	0
44. Texas.....TX	Yes	0	0	0	0	(87)	18	0	0
45. Utah.....UT	Yes	0	0	0	0	(122,664)	1,339,978	0	0
46. Vermont.....VT	No	0	0	0	0	0	0	0	0
47. Virginia.....VA	Yes	0	0	0	0	0	0	0	0
48. Washington.....WA	Yes	0	0	0	0	(1,433)	977	0	0
49. West Virginia.....WV	Yes	0	0	0	0	0	0	0	0
50. Wisconsin.....WI	Yes	0	0	0	0	(55)	54	0	0
51. Wyoming.....WY	Yes	0	0	0	0	0	0	0	0
52. American Samoa.....AS	No	0	0	0	0	0	0	0	0
53. Guam.....GU	No	0	0	0	0	0	0	0	0
54. Puerto Rico.....PR	No	0	0	0	0	0	0	0	0
55. US Virgin Islands.....VI	No	0	0	0	0	0	0	0	0
56. Canada.....CN	No	0	0	0	0	0	0	0	0
57. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
58. Totals.....	(a).....46	0	0	0	99,750	(5,546)	1,712,058	0	0
DETAILS OF WRITE-INS									
5701.....	XXX	0	0	0	0	0	0	0	0
5702.....	XXX	0	0	0	0	0	0	0	0
5703.....	XXX	0	0	0	0	0	0	0	0
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	0	0	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 + Line 5798) (Line 57 above)	XXX	0	0	0	0	0	0	0	0

Explanation of Basis of Allocation of Premiums by States, etc.

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

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

	<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
Great American Lloyd's Insurance Company* @	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* @	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
Great American Financial Resources, Inc.	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