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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

RLI INSURANCE COMPANY

NAIC Group Code 0783 (Current Period), 0783 (Prior Period) NAIC Company Code 13056 Employer's ID Number 37-0915434

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

Country of Domicile United States

Incorporated/Organized 06/04/1959 Commenced Business 11/15/1960

Statutory Home Office 9025 N. Lindbergh Drive (Street and Number), Peoria, IL 61615 (City or Town, State and Zip Code)

Main Administrative Office 9025 N. Lindbergh Drive (Street and Number) Peoria, IL 61615 (City or Town, State and Zip Code) 309-692-1000 (Area Code) (Telephone Number)

Mail Address 9025 N. Lindbergh Drive (Street and Number or P.O. Box), Peoria, IL 61615 (City or Town, State and Zip Code)

Primary Location of Books and Records 9025 N. Lindbergh Drive (Street and Number) Peoria, IL 61615 (City or Town, State and Zip Code) 309-692-1000-5468 (Area Code) (Telephone Number)

Internet Website Address www.rlicorp.com

Statutory Statement Contact Todd Wayne Bryant (Name) 309-692-1000-5468 (Area Code) (Telephone Number) (Extension)

todd_bryant@rlicorp.com (E-mail Address) 309-689-2079 (Fax Number)

OFFICERS

Name	Title	Name	Title
Joseph Edward Dondanville	Sr. V.P., CFO	Jean Marie Stephenson	Corporate Secretary
John Edward Robison	Treasurer	Michael Joseph Stone	President & COO

OTHER OFFICERS

Jonathan Edward Michael	Chairman & CEO	Aaron Howard Jacoby	V.P., Corporate Development
Carol Jeanne Denzer	V.P., Chief Information Officer	Donald John Driscoll	V.P., Claim
Jeffrey Dean Fick	V.P., Human Resources	Seth Anthony Davis	V.P., Internal Audit
Daniel O'Connor Kennedy	V.P., General Counsel	Craig William Kliethermes	V.P., Actuarial Services
Andrew Brook McCray	V.P., Home Office Underwriting		

DIRECTORS OR TRUSTEES

Jonathan Edward Michael	Michael Joseph Stone	Joseph Edward Dondanville	Aaron Howard Jacoby
Carol Jeanne Denzer	Donald John Driscoll	Jeffrey Dean Fick	

State of Illinois

County of Peoria ss

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

Joseph Edward Dondanville	Jean Marie Stephenson	John Edward Robison
Sr. V.P., CFO	Corporate Secretary	Treasurer

Subscribed and sworn to before me this 25th day of February, 2008

Karen Schauble Tax Assistant
September 20, 2009

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 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	554,826,330		554,826,330	570,395,254
2. Stocks (Schedule D):				
2.1 Preferred stocks	17,752,800		17,752,800	0
2.2 Common stocks	683,932,737	2,560,174	681,372,563	655,660,604
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ ..... encumbrances)	6,477,214	303,077	6,174,137	6,083,219
4.2 Properties held for the production of income (less $ ..... encumbrances)			0	0
4.3 Properties held for sale (less $ ..... encumbrances)			0	0
5. Cash ($ (4,655,818) , Schedule E, Part 1), cash equivalents ($ 0 , Schedule E, Part 2) and short-term investments ($ 33,799,413 , Schedule DA)	29,143,595		29,143,595	26,933,093
6. Contract loans, (including $ ..... premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	9,500,000
8. Receivables for securities	1,710,930		1,710,930	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,293,843,606	2,863,251	1,290,980,355	1,268,572,170
11. Title plants less $ ..... charged off (for Title insurers only)			0	0
12. Investment income due and accrued	7,336,257		7,336,257	8,008,485
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	36,089,122	2,215,156	33,873,966	50,176,886
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ..... earned but unbilled premium)			0	0
13.3 Accrued retrospective premium			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	14,984,528		14,984,528	33,767,293
14.2 Funds held by or deposited with reinsured companies	4,000		4,000	4,000
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	1,385,987		1,385,987	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	4,957,755	4,318,974	638,781	1,067,717
19. Furniture and equipment, including health care delivery assets ($ .....)	2,513,634	2,513,634	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	144,304		144,304	0
22. Health care ($ .....) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	4,614,415	2,077,491	2,536,924	4,713,544
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,365,873,608	13,988,506	1,351,885,102	1,366,310,095
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	1,365,873,608	13,988,506	1,351,885,102	1,366,310,095
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Other Miscellaneous Assets	4,614,415	2,077,491	2,536,924	4,713,544
2302.			0	0
2303.			0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	4,614,415	2,077,491	2,536,924	4,713,544

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	281,326,555	303,516,754
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	544,184	256,554
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	59,770,036	55,500,855
4. Commissions payable, contingent commissions and other similar charges	15,122,083	15,825,241
5. Other expenses (excluding taxes, licenses and fees)	36,835,022	32,836,149
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	1,617,141	1,085,442
7.1 Current federal and foreign income taxes (including $ ..... on realized capital gains (losses))		4,065,449
7.2 Net deferred tax liability	7,935,766	19,846,085
8. Borrowed money $ 27,975,000 and interest thereon $ 47,985	28,022,985	0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 35,336,745 and including warranty reserves of $ .....)	139,049,214	130,212,740
10. Advance premium	3,954,125	3,500,752
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	8,941,408	30,883,761
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	537,795	918,936
14. Amounts withheld or retained by company for account of others	13,934,729	13,485,228
15. Remittances and items not allocated		0
16. Provision for reinsurance (Schedule F, Part 7)	903,200	3,847,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	0	1,024,009
20. Payable for securities		1,082,820
21. Liability for amounts held under uninsured plans		0
22. Capital notes $ ..... and interest thereon $		0
23. Aggregate write-ins for liabilities	1,386,534	1,516,905
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	599,880,777	619,404,680
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	599,880,777	619,404,680
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	10,000,375	10,000,375
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		0
32. Gross paid in and contributed surplus	242,451,084	242,451,084
33. Unassigned funds (surplus)	499,552,866	494,453,956
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 $ .....)		0
34.2 ..... shares preferred (value included in Line 29 $ .....)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	752,004,325	746,905,415
36. Totals (Page 2, Line 26, Col. 3)	1,351,885,102	1,366,310,095
DETAILS OF WRITE-INS		
2301. Loss Recoverable Clearing	1,386,534	1,516,905
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,386,534	1,516,905
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	244,443,167	227,970,972
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 34, Column 7)	60,659,845	74,520,277
3. Loss expenses incurred (Part 3, Line 25, Column 1)	29,306,121	30,225,828
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	111,352,486	100,130,312
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	201,318,452	204,876,417
7. Net income of protected cells		0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	43,124,715	23,094,555
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	89,508,960	32,235,270
10. Net realized capital gains (losses) less capital gains tax of $ 8,745,164 (Exhibit of Capital Gains (Losses))	16,241,019	25,312,767
11. Net investment gain (loss) (Lines 9 + 10)	105,749,979	57,548,037
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $ (426,628))	(426,628)	(160,488)
13. Finance and service charges not included in premiums		0
14. Aggregate write-ins for miscellaneous income	618,807	885,221
15. Total other income (Lines 12 through 14)	192,179	724,733
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	149,066,873	81,367,325
17. Dividends to policyholders		0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	149,066,873	81,367,325
19. Federal and foreign income taxes incurred	22,861,220	5,656,825
20. Net income (Line 18 minus Line 19) (to Line 22)	126,205,653	75,710,500
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	746,905,415	690,546,672
22. Net income (from Line 20)	126,205,653	75,710,500
23. Net transfers (to) from Protected Cell accounts		0
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ (9,867,215)	25,554,010	45,421,257
25. Change in net unrealized foreign exchange capital gain (loss)		0
26. Change in net deferred income tax	2,043,104	(5,392,352)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(1,925,230)	(817,254)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	2,943,800	932,400
29. Change in surplus notes		0
30. Surplus (contributed to) withdrawn from protected cells		0
31. Cumulative effect of changes in accounting principles		0
32. Capital changes:		
32.1. Paid in		0
32.2. Transferred from surplus (Stock Dividend)		0
32.3. Transferred to surplus		0
33. Surplus adjustments:		
33.1. Paid in		0
33.2. Transferred to capital (Stock Dividend)		0
33.3. Transferred from capital		0
34. Net remittances from or (to) Home Office		0
35. Dividends to stockholders	(149,722,427)	(59,495,808)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	5,098,910	56,358,743
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	752,004,325	746,905,415
DETAILS OF WRITE-INS		
0501.		0
0502.		0
0503.		0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401. Gain (Loss) on Sale/Disposal of Fixed Assets	32,582	(3,210)
1402. Miscellaneous Income	586,225	888,431
1403.		0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	618,807	885,221
3701. Goodwill write-off		0
3702.		0
3703.		0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	247,878,190	233,477,057
2. Net investment income	92,788,159	34,509,285
3. Miscellaneous income	192,181	724,730
4. Total (Lines 1 through 3)	340,858,530	268,711,072
5. Benefit and loss related payments	63,779,649	83,682,416
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	132,562,012	122,871,822
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of $ ..... tax on capital gains (losses)	37,057,820	19,211,930
10. Total (Lines 5 through 9)	233,399,481	225,766,168
11. Net cash from operations (Line 4 minus Line 10)	107,459,049	42,944,904
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	135,050,789	150,832,163
12.2 Stocks	58,411,121	75,172,615
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	9,500,000	2,000,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	100,974	11,995
12.8 Total investment proceeds (Lines 12.1 to 12.7)	203,062,884	228,016,773
13. Cost of investments acquired (long-term only):		
13.1 Bonds	122,104,264	154,986,257
13.2 Stocks	62,135,532	25,779,237
13.3 Mortgage loans	0	0
13.4 Real estate	609,563	688,390
13.5 Other invested assets	0	5,000,000
13.6 Miscellaneous applications	2,793,752	907,537
13.7 Total investments acquired (Lines 13.1 to 13.6)	187,643,112	187,361,421
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	15,419,772	40,655,353
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	28,022,985	(6,254,554)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	149,722,427	59,495,808
16.6 Other cash provided (applied)	1,031,123	(4,952,584)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(120,668,319)	(70,702,946)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	2,210,502	12,897,311
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	26,933,093	14,035,782
19.2 End of year (Line 18 plus Line 19.1)	29,143,595	26,933,093

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Lines of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	4,770,247	1,814,874	1,992,248	4,592,873
2.	Allied lines	2,779,243	1,700,703	1,236,043	3,243,903
3.	Farmowners multiple peril	0	0	0	0
4.	Homeowners multiple peril	7,478,120	4,953,157	5,216,514	7,214,763
5.	Commercial multiple peril	4,645,657	1,800,061	2,258,898	4,186,820
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	32,837,600	12,036,274	15,816,633	29,057,241
9.	Inland marine	5,246,699	2,720,921	2,831,630	5,135,990
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	1,636,922	2,319,889	327,329	3,629,482
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	0	0	0	0
17.1	Other liability - occurrence	68,564,564	31,205,043	34,514,385	65,255,222
17.2	Other liability - claims-made	12,241,954	6,108,595	6,560,932	11,789,617
18.1	Products liability - occurrence	846	42,090	1,260	41,676
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	1,065	1,107	323	1,849
19.3,19.4	Commercial auto liability	40,045,880	23,115,384	23,657,154	39,504,110
21.	Auto physical damage	7,682,649	4,532,482	3,632,793	8,582,338
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	1,534,753	1,051,245	1,077,932	1,508,066
24.	Surety	63,808,258	36,810,915	39,906,130	60,713,043
26.	Burglary and theft	0	0	0	0
27.	Boiler and machinery	5,184	0	19,010	(13,826)
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Reinsurance - Nonproportional Assumed Property	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
33.	Aggregate write-ins for other lines of business	0	0	0	0
34.	TOTALS	253,279,641	130,212,740	139,049,214	244,443,167
	DETAILS OF WRITE-INS				
3301.		0	0	0	0
3302.					
3303.					
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0
3399.	Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	1,992,248				1,992,248
2.	Allied lines	1,236,043				1,236,043
3.	Farmowners multiple peril					0
4.	Homeowners multiple peril	5,216,514				5,216,514
5.	Commercial multiple peril	2,242,298	16,600			2,258,898
6.	Mortgage guaranty					0
8.	Ocean marine	15,179,963	636,670			15,816,633
9.	Inland marine	2,638,903	192,727			2,831,630
10.	Financial guaranty					0
11.1	Medical malpractice - occurrence					0
11.2	Medical malpractice - claims-made					0
12.	Earthquake	326,751	578			327,329
13.	Group accident and health					0
14.	Credit accident and health (group and individual)					0
15.	Other accident and health					0
16.	Workers' compensation					0
17.1	Other liability - occurrence	31,622,248	2,892,137			34,514,385
17.2	Other liability - claims-made	6,078,195	482,737			6,560,932
18.1	Products liability - occurrence	1,260				1,260
18.2	Products liability - claims-made					0
19.1,19.2	Private passenger auto liability	323				323
19.3,19.4	Commercial auto liability	22,252,195	1,404,959			23,657,154
21.	Auto physical damage	3,352,243	280,550			3,632,793
22.	Aircraft (all perils)					0
23.	Fidelity	533,424	544,508			1,077,932
24.	Surety	25,702,057	14,204,073			39,906,130
26.	Burglary and theft					0
27.	Boiler and machinery	19,063	(53)			19,010
28.	Credit					0
29.	International					0
30.	Reinsurance - Nonproportional Assumed Property					0
31.	Reinsurance - Nonproportional Assumed Liability					0
32.	Reinsurance - Nonproportional Assumed Financial Lines					0
33.	Aggregate write-ins for other lines of business	0	0	0	0	0
34.	TOTALS	118,393,728	20,655,486	0	0	139,049,214
35.	Accrued retrospective premiums based on experience					
36.	Earned but unbilled premiums					
37.	Balance (Sum of Line 34 through 36)					139,049,214
	DETAILS OF WRITE-INS					
3301.						
3302.						
3303.						
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0

(a) State here basis of computation used in each case . Monthly Pro-Rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

	Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1.	Fire	1,824,079	2,959,974	43,160		56,966	4,770,247
2.	Allied lines	1,475,905	1,329,844	22,989		49,495	2,779,243
3.	Farmowners multiple peril						0
4.	Homeowners multiple peril	10,355,229				2,877,109	7,478,120
5.	Commercial multiple peril	4,881,918	(199)			236,062	4,645,657
6.	Mortgage guaranty						0
8.	Ocean marine	38,401,252		20,000		5,583,652	32,837,600
9.	Inland marine	6,417,115		(29,044)		1,141,372	5,246,699
10.	Financial guaranty						0
11.1	Medical malpractice - occurrence						0
11.2	Medical malpractice - claims-made						0
12.	Earthquake	607,872		1,253,442		224,392	1,636,922
13.	Group accident and health						0
14.	Credit accident and health (group and individual)						0
15.	Other accident and health						0
16.	Workers' compensation						0
17.1	Other liability - occurrence	81,260,250	325,652	34,733		13,056,071	68,564,564
17.2	Other liability - claims-made	51,498,708				39,256,754	12,241,954
18.1	Products liability - occurrence	18,833				17,987	846
18.2	Products liability - claims-made						0
19.1,19.2	Private passenger auto liability	1,065					1,065
19.3,19.4	Commercial auto liability	54,186,723		1,592,061		15,732,904	40,045,880
21.	Auto physical damage	7,914,769		92,702		324,822	7,682,649
22.	Aircraft (all perils)						0
23.	Fidelity	1,534,753					1,534,753
24.	Surety	66,059,095	444,370	1,985,631		4,680,838	63,808,258
26.	Burglary and theft						0
27.	Boiler and machinery	59,874		31,500		86,190	5,184
28.	Credit						0
29.	International						0
30.	Reinsurance - Nonproportional Assumed Property	XXX					0
31.	Reinsurance - Nonproportional Assumed Liability	XXX					0
32.	Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
33.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
34.	TOTALS	326,497,440	5,059,641	5,047,174	0	83,324,614	253,279,641
	DETAILS OF WRITE-INS						
3301.							
3302.							
3303.							
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0
3399.	Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

	Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	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.	Fire	300,673	1,075,831	241,075	1,135,429	3,380,167	3,827,283	688,313	15.0
2.	Allied lines	349,342	632,115	(294,296)	1,275,753	1,239,762	2,909,018	(393,503)	(12.1)
3.	Farmowners multiple peril	0	0	0	0	0	0	0	0.0
4.	Homeowners multiple peril	1,584,632	0	0	1,584,632	1,047,136	710,256	1,921,512	26.6
5.	Commercial multiple peril	1,699,594	0	1,265,781	433,813	2,914,973	3,267,209	81,577	1.9
6.	Mortgage guaranty				0	0	0	0	0.0
8.	Ocean marine	9,031,111	0	480,205	8,550,906	17,842,906	8,989,518	17,404,294	59.9
9.	Inland marine	9,620,803	(1,640,044)	1,643,649	6,337,110	15,319,281	23,822,693	(2,166,302)	(42.2)
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
12.	Earthquake	0	0	750,000	(750,000)	26,724	243,002	(966,278)	(26.6)
13.	Group accident and health	0	0	0	0	64,671	64,669	2	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	0	0.0
16.	Workers' compensation	0	0	0	0	0	0	0	0.0
17.1	Other liability - occurrence	39,048,726	0	10,583,583	28,465,143	109,201,015	106,397,153	31,269,005	47.9
17.2	Other liability - claims-made	11,520,528	0	9,089,350	2,431,178	27,414,511	29,838,744	6,945	0.1
18.1	Products liability - occurrence	2,311,485	0	920,739	1,390,746	3,300,531	4,117,542	573,735	1,376.7
18.2	Products liability - claims-made	0	0	0	0	0	0	0	0.0
19.1,19.2	Private passenger auto liability	0	0	0	0	82,115	74,449	7,666	414.6
19.3,19.4	Commercial auto liability	24,606,010	1,239,262	7,954,018	17,891,254	60,729,714	75,831,445	2,789,523	7.1
21.	Auto physical damage	3,162,240	690,620	82,923	3,769,937	3,803,157	4,607,448	2,965,646	34.6
22.	Aircraft (all perils)	0	0	0	0	0	0	0	0.0
23.	Fidelity	19,072	0	(16)	19,088	191,926	393,090	(182,076)	(12.1)
24.	Surety	18,575,850	(1,566)	8,967,848	9,606,436	18,913,517	26,169,290	2,350,663	3.9
26.	Burglary and theft	(3,070)	0	(905)	(2,165)	15,395	77,658	(64,428)	0.0
27.	Boiler and machinery	0	0	0	0	123,653	260	123,393	(892.5)
28.	Credit				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	1,218,862	(1,218,862)	0.0
31.	Reinsurance - Nonproportional Assumed Liability	XXX	1,289,468	578,684	710,784	15,715,401	10,957,165	5,469,020	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	121,826,996	3,285,686	42,262,638	82,850,044	281,326,555	303,516,754	60,659,845	24.8
	DETAILS OF WRITE-INS								
3301.					0	0	0	0	0.0
3302.									
3303.									
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0	0	0.0
3399.	Totals (Lines 3301 through 3303 + 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

		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
	Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1.	Fire	105,933	631,332	521,346	215,919	1,962,956	1,599,020	397,728	3,380,167	2,235,866
2.	Allied lines	154,729	188,957	197,309	146,377	1,392,039	0	298,654	1,239,762	953,187
3.	Farmowners multiple peril	0	0	0	0	0	0	0	0	0
4.	Homeowners multiple peril	448,610	0	36,965	411,645	635,491	0	0	1,047,136	188,853
5.	Commercial multiple peril	729,642	0	26,345	703,297	4,222,080	0	2,010,404	2,914,973	398,639
6.	Mortgage guaranty				0				0	
8.	Ocean marine	9,110,387	9	575,761	8,534,635	12,668,547	0	3,360,276	17,842,906	2,399,957
9.	Inland marine	9,504,754	363,837	3,894,383	5,974,208	18,222,806	0	8,877,733	15,319,281	2,243,513
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	
12.	Earthquake	0	0	0	0	25,602	0	(1,122)	26,724	8,003
13.	Group accident and health	4	0	0	4	178,335	0	113,668	(a) 64,671	11,085
14.	Credit accident and health (group and individual)				0				0	
15.	Other accident and health				0				(a) 0	
16.	Workers' compensation	0	0	0	0	0	0	0	0	0
17.1	Other liability - occurrence	49,784,688	0	12,567,487	37,217,201	111,067,124	1,684,964	40,768,274	109,201,015	30,126,259
17.2	Other liability - claims-made	22,745,125	0	19,296,332	3,448,793	92,869,309	(3,415,170)	65,488,421	27,414,511	4,133,899
18.1	Products liability - occurrence	2,136,678	0	322,721	1,813,957	2,619,237	0	1,132,663	3,300,531	1,579,279
18.2	Products liability - claims-made	0	0	0	0	0	0	0	0	0
19.1,19.2	Private passenger auto liability	20,000	0	0	20,000	62,115	0	0	82,115	12,529
19.3,19.4	Commercial auto liability	68,458,156	5,636,182	21,729,273	52,365,065	24,888,928	804,226	17,328,505	60,729,714	10,671,725
21.	Auto physical damage	769,523	126,012	66,518	829,017	3,085,265	17,981	129,106	3,803,157	759,739
22.	Aircraft (all perils)	0	0	0	0	0	0	0	0	0
23.	Fidelity	13,833	0	0	13,833	356,467	0	178,374	191,926	(4,634)
24.	Surety	5,158,958	4,666	2,237,838	2,925,786	17,144,486	729,304	1,886,059	18,913,517	3,064,336
26.	Burglary and theft	3,010	0	403	2,607	25,869	0	13,081	15,395	5,122
27.	Boiler and machinery	0	0	0	0	134,047	0	10,394	123,653	13,502
28.	Credit				0				0	
29.	International				0				0	
30.	Reinsurance - Nonproportional Assumed Property	XXX	0	0	0	XXX	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Liability	XXX	14,161,052	3,955,728	10,205,324	XXX	11,868,609	6,358,532	15,715,401	969,177
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	169,144,030	21,112,047	65,428,409	124,827,668	291,560,703	13,288,934	148,350,750	281,326,555	59,770,036
	DETAILS OF WRITE-INS									
3301.										
3302.										
3303.										
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0	0	0	0
3399.	Totals (Lines 3301 through 3303 + 3398) (Line 33 above)	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	27,433,077			27,433,077
1.2 Reinsurance assumed	650,352			650,352
1.3 Reinsurance ceded	10,106,259			10,106,259
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	17,977,170	0	0	17,977,170
2. Commission and brokerage:				
2.1 Direct, excluding contingent		50,416,269		50,416,269
2.2 Reinsurance assumed, excluding contingent		2,517,551		2,517,551
2.3 Reinsurance ceded, excluding contingent		16,046,808		16,046,808
2.4 Contingent-direct		4,533,397		4,533,397
2.5 Contingent-reinsurance assumed		71,329		71,329
2.6 Contingent-reinsurance ceded		2,225,727		2,225,727
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	39,266,011	0	39,266,011
3. Allowances to manager and agents	0	0	0	0
4. Advertising	212	247,104	8,154	255,470
5. Boards, bureaus and associations		791,870	64	791,934
6. Surveys and underwriting reports		313,497		313,497
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries	6,177,971	32,257,529	547,202	38,982,702
8.2 Payroll taxes	376,642	2,123,131	17,820	2,517,593
9. Employee relations and welfare	1,608,458	9,241,726	116,141	10,966,325
10. Insurance	111	975,821	55	975,987
11. Directors' fees				0
12. Travel and travel items	220,892	2,992,400	28,909	3,242,201
13. Rent and rent items	103,550	2,177,607	(5,477)	2,275,680
14. Equipment	54,929	1,948,417	12,929	2,016,275
15. Cost or depreciation of EDP equipment and software	33,119	1,678,284	1,928	1,713,331
16. Printing and stationery	18,825	671,284	22,139	712,248
17. Postage, telephone and telegraph, exchange and express	57,028	1,175,434	25,285	1,257,747
18. Legal and auditing		760,438	41,516	801,954
19. Totals (Lines 3 to 18)	8,651,737	57,354,542	816,665	66,822,944
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $		7,759,355		7,759,355
20.2 Insurance department licenses and fees	19	541,306	192	541,517
20.3 Gross guaranty association assessments	40,577	1,138,808	6,123	1,185,508
20.4 All other (excluding federal and foreign income and real estate)		10,848		10,848
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	40,596	9,450,317	6,315	9,497,228
21. Real estate expenses		432,621	15,504	448,125
22. Real estate taxes		173,977	6,268	180,245
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	2,636,618	4,675,018	1,978,357	9,289,993
25. Total expenses incurred	29,306,121	111,352,486	2,823,109	(a) 143,481,716
26. Less unpaid expenses - current year	59,770,036	53,508,809	65,437	113,344,282
27. Add unpaid expenses - prior year	55,500,855	49,652,683	94,149	105,247,687
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	25,036,940	107,496,360	2,851,821	135,385,121
DETAILS OF WRITE-INS				
2401. Management Fee	28,591	751,934		780,525
2402. Contracted Services	215,034	3,132,715	29,064	3,376,813
2403. Outside Investment Fees			1,949,293	1,949,293
2498. Summary of remaining write-ins for Line 24 from overflow page	2,392,993	790,369	0	3,183,362
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	2,636,618	4,675,018	1,978,357	9,289,993

(a) Includes management fees of $ 780,525 to affiliates and $ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 7,741,453	7,526,208
1.1	Bonds exempt from U.S. tax	(a) 9,021,872	8,534,865
1.2	Other bonds (unaffiliated)	(a) 12,828,722	12,854,115
1.3	Bonds of affiliates	(a) 0	
2.1	Preferred stocks (unaffiliated)	(b) 664,923	747,240
2.11	Preferred stocks of affiliates	(b) 0	
2.2	Common stocks (unaffiliated)	6,369,338	6,326,822
2.21	Common stocks of affiliates	55,000,000	55,000,000
3.	Mortgage loans	(c)	
4.	Real estate	(d) 1,105,800	1,105,800
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 1,190,917	1,155,745
7.	Derivative instruments	(f)	
8.	Other invested assets	561,476	561,476
9.	Aggregate write-ins for investment income	23,421	23,421
10.	Total gross investment income	94,507,922	93,835,692
11.	Investment expenses		(g) 2,823,109
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 546,538
15.	Aggregate write-ins for deductions from investment income		957,085
16.	Total (Lines 11 through 15)		4,326,732
17.	Net Investment Income - (Line 10 minus Line 16)		89,508,960
	DETAILS OF WRITE-INS		
0901.	Miscellaneous Interest	23,421	23,421
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	23,421	23,421
1501.	Interest Expense - Short term borrowing		957,085
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		957,085

(a) Includes $ 248,035 accrual of discount less $ 2,308,468 amortization of premium and less $ 381,290 paid for accrued interest on purchases.
(b) Includes $ accrual of discount less $ 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 $ paid for accrued interest on purchases.
(d) Includes $ 1,105,800 for company's occupancy of its own buildings; and excludes $ interest on encumbrances.
(e) Includes $ accrual of discount less $ amortization of premium and less $ paid for accrued interest on purchases.
(f) Includes $ accrual of discount less $ amortization of premium.
(g) Includes $ 1,949,293 investment expenses and $ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ interest on surplus notes and $ interest on capital notes.
(i) Includes $ 546,538 depreciation on real estate and $ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	6,301		6,301		
1.1	Bonds exempt from U.S. tax	(497,965)		(497,965)		
1.2	Other bonds (unaffiliated)	(70,291)		(70,291)		
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	(574,710)	0	(574,710)	(1,214,640)	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	26,021,880	0	26,021,880	(21,114,422)	0
2.21	Common stocks of affiliates	0	0	0	38,015,859	0
3.	Mortgage loans			0		0
4.	Real estate	0		0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0		
7.	Derivative instruments			0		
8.	Other invested assets			0		0
9.	Aggregate write-ins for capital gains (losses)	100,968	0	100,968	0	0
10.	Total capital gains (losses)	24,986,183	0	24,986,183	15,686,797	0
	DETAILS OF WRITE-INS					
0901.	Securities Litigation Settlement	100,968		100,968		
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	100,968	0	100,968	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	2,560,174	1,166,551	(1,393,623)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	303,077	330,970	27,893
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,863,251	1,497,521	(1,365,730)
11. Title plants (for Title insurers only)	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	2,215,156	1,999,765	(215,391)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
13.3 Accrued retrospective premium	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	4,318,974	3,808,628	(510,346)
19. Furniture and equipment, including health care delivery assets	2,513,634	2,764,417	250,783
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable	0	0	0
23. Aggregate write-ins for other than invested assets	2,077,491	1,992,945	(84,546)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	13,988,506	12,063,276	(1,925,230)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	13,988,506	12,063,276	(1,925,230)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Goodwill	2,077,491	133,256	(1,944,235)
2302. Other Miscellaneous Assets	0	1,859,689	1,859,689
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	2,077,491	1,992,945	(84,546)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices

The financial statements of RLI Insurance Company (the Company) are presented on the basis of accounting practices prescribed or permitted by the Illinois Department of Financial and Professional Regulation, Division of Insurance (the Division).

The Division recognizes only statutory accounting practices prescribed or permitted by the state of Illinois for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under the Illinois Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Illinois. The state has not adopted any prescribed accounting practices that differ from those found in NAIC SAP.

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

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported financial statement balances as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant of these amounts is the liability for unpaid losses and loss adjustment expenses. Management continually updates its estimates as additional data becomes available and adjusts the statutory financial statements as deemed necessary. Other estimates such as the recoverability of reinsurance balances are constantly monitored, evaluated, and adjusted. Although recorded estimates are supported by actuarial computations and other data, the estimates are ultimately based on management's expectations of future events. It is reasonably possible that expectations associated with these accounts can change in the near term (i.e., one year) and that the effect of these changes could be material to the statutory financial statements.

c. Accounting Policy

Premiums, net of reinsurance, are earned and recognized as revenue ratably over the periods of the policies. Unearned premiums, which are reflected net of reinsurance, represent the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force.

The costs of acquiring insurance premiums (principally commissions and premium taxes) are charged to current operations as incurred.

In addition, the Company uses the following accounting policies:

(1) Short-term investments are valued at cost, which approximates fair value.

(2) Bonds are generally stated at amortized cost with the discount or premium on bonds amortized using the scientific method.

(3) Unaffiliated common stocks are carried at values assigned by the NAIC, which approximates fair value. Stocks of affiliates in which the Company has an interest of 20% or more are carried based upon the affiliate's audited statutory surplus.

(4) Unaffiliated preferred stocks are carried at values assigned by the NAIC, which approximates fair value.

(5) The Company has no mortgage loans to report.

The Company owns real estate occupied by the Company which is valued at cost less accumulated depreciation and is computed on a straight-line basis over the estimated useful lives of the properties per SSAP No. 40, Real Estate Investments. The fair value of the properties is determined by third party appraisals, the results of which indicate the properties are not impaired per practices prescribed in SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.

(6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value, dependent upon NAIC designations. Loan backed securities are revalued using currently estimated cash flow, including new prepayment assumptions, under the retrospective methodology.

(7) The Company owns 100% of the common stock of Mt. Hawley Insurance Company (Mt. Hawley), Safefleet Insurance Services, Inc. (Safe Fleet), RLI Insurance Ltd. (RLI Ltd), Underwriters Indemnity General Agency (UIGA), and RLI Underwriting Services (RLI US). The Company's investment in Mt. Hawley is carried at cost plus equity in statutory net income and surplus adjustments since the date of formation, less dividends received. Changes in the carrying value of the Company's investment in Mt. Hawley are reflected directly in unassigned surplus, as described in SSAP No. 97, a replacement of SSAP No. 88, which was adopted as of December 31, 2007. Additionally, as prescribed in SSAP No. 97, Safefleet, RLI Ltd., UIGA, and RLI US are valued based on their underlying GAAP equity adjusted to a statutory basis of accounting. Per SSAP No. 97, the Company has non-admitted its investment in Safefleet, RLI Ltd., UIGA, and RLI US since GAAP audits are not conducted individually for these subsidiaries.

(8) The company has no investments in joint ventures, partnerships or limited liability companies.

(9) The Company has no derivative instruments.

(10) The Company does not utilize anticipated investment income as a factor in the calculation of premium deficiency.

(11) The estimated liability for unpaid losses and loss adjustment expenses includes a provision for reported and unpaid losses as well as estimates of losses incurred but not reported, net of amounts covered by reinsurance. The estimates are based on certain actuarial and other assumptions related to the ultimate cost to settle such claims. Such assumptions are subject to occasional changes due to evolving economic, social, and political conditions. All estimates are periodically reviewed and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments are reflected in the results of operations in the period in which they are determined. As these amounts are determined based upon estimates, the ultimate liability may be more or less than such estimates. Based on the current assumptions used in calculating reserves, management believes that the Company's overall reserve levels at December 31, 2007 make a reasonable provision to meet its future obligations.

(12) The Company has not modified its capitalization policy from the prior period.

(13) Under the Company's current health care plan, effective 8/1/07, the Company receives monthly prescription drug rebates based on headcount. These savings are netted against monthly health care expenses, and no receivable is recorded.

2. Accounting Changes and Correction of Errors

The Company has none to report.

NOTES TO FINANCIAL STATEMENTS

3. Business Combinations and Goodwill

a,b,c In March 1997, the Company acquired the Hawaii Residential Insurance Program (a book of business) from the Hawaii Property Insurance Association. The transaction was accounted for using the statutory purchase method, resulting in goodwill of $4.0 million. Goodwill amortization relating to the purchase of this book of business was completed in April, 2007. Goodwill amortization was $133,256 for 2007 and $400,000 for 2006. The Company did not recognize an impairment loss on the transaction.

4. Discontinued Operations

The Company has none to report.

5. Investments

a, b, c. Mortgage Loans, Debt Restructuring & Reverse Mortgages

The Company has none to report.

d. Loan-Backed Securities

All of the Company's loan-backed securities were purchased subsequent to January 1, 1994. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value dependent upon NAIC designations. Loan-backed securities are revalued using currently estimated cash flow, including new prepayment assumptions, under the retrospective methodology.

Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from external sources and through management estimates.

The Company used an external pricing service, FT Interactive Data, to determine the fair value of its loan-backed/asset-backed securities.

e. Repurchase Agreements

The Company has none to report.

f. Real Estate

The Company owns real estate occupied by the Company which is valued at cost less accumulated depreciation and is computed on a straight-line basis over the estimated useful lives of the properties per SSAP No. 40, Real Estate Investments. The fair value of the properties is determined by third party appraisals, the results of which indicate the properties are not impaired per practices prescribed in SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.

g. The Company has none to report.

6. Joint Ventures, Partnerships, Limited Liability Companies

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

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

Due and accrued income over 90 days past due is excluded from surplus. The Company has no accrued income over 90 days past due. As a result, no adjustment to surplus has been made.

8. Derivative Instruments

The Company has no financial instruments defined as derivatives for statutory purposes.

9. Income Taxes

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

	2007	2006
Total of gross deferred tax assets	$ 34,579,819	$ 31,855,839
Total of deferred tax liabilities	42,515,585	51,701,924
Net deferred tax liabilities	(7,935,766)	(19,846,085)
Deferred tax asset nonadmitted	-	-
Net admitted deferred tax liabilities	$ (7,935,766)	$ (19,846,085)
(Increase) decrease in nonadmitted asset	$ -	

b. Regarding deferred tax liabilities that are not recognized:

There are no deferred tax liabilities that are not recognized for amounts described in SSAP No. 10, Income Taxes, paragraph 6d.

NOTES TO FINANCIAL STATEMENTS

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

The provision for incurred taxes on earnings for the year ended December 31 are:

	2007	2006
Federal	$ 22,861,220	$ 5,656,825
Federal income tax on net capital gain	8,745,164	13,629,952
Federal and foreign income tax incurred	$ 31,606,384	$ 19,286,777

The main components of the deferred tax amounts at December 31 are as follows:

	2007	2006
Deferred tax assets:		
Loss Reserves	$ 12,791,832	$ 14,386,349
Unearned premium reserve	9,774,736	9,114,892
Nonadmitted assets	3,999,916	3,813,854
Deferred compensation	2,240,870	249,154
Accrued expenses	5,281,798	3,656,612
Depreciable Assets	151,791	-
Defined benefit pension asset	-	128,499
Other	338,876	506,479
Total deferred tax assets	34,579,819	31,855,839
Nonadmitted deferred tax assets	-	-
Admitted deferred tax assets	34,579,819	31,855,839
Deferred tax liabilities:		
Amortization of bond discount	196,851	207,553
Unrealized capital gains	35,232,845	45,100,060
Accrued dividends	131,122	184,747
Intercompany transactions	6,356,103	5,970,544
Goodwill amortization	-	46,640
Other	598,664	192,380
Total deferred tax liabilities	42,515,585	51,701,924
Net admitted deferred tax asset (liability)	$ (7,935,766)	$ (19,846,085)

The changes in net deferred income taxes are as follows:

	2007	2006	Change
Total deferred tax assets	$ 34,579,819	$ 31,855,839	$ 2,723,980
Total deferred tax liabilities	42,515,585	51,701,924	(9,186,339)
Net deferred tax liabilities	$ (7,935,766)	$ (19,846,085)	11,910,319
Tax effect of unrealized gains (losses)			(9,867,215)
Change in net deferred income tax			$ 2,043,104

NOTES TO FINANCIAL STATEMENTS

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

		December 31, 2007	Effective Tax Rate
Income before taxes, which includes net realized capital gains		157,812,037	
Provision computed at statutory rate	$	55,234,212	35.0%
Tax exempt income deduction		(2,547,578)	-1.6%
Dividends received deduction		(20,520,325)	-13.0%
Nondeductible expenses		155,270	0.1%
Nonrecurring tax benefit		(2,356,538)	-1.5%
Other		(401,761)	-0.3%
Total	$	29,563,280	18.7%
Federal and foreign taxes incurred	$	22,861,220	14.5%
Change in net deferred income taxes		(2,043,104)	-1.3%
Tax on net realized capital gains		8,745,164	5.5%
Total statutory income taxes	$	29,563,280	18.7%

e. (1) At December 31, 2007, the Company had no operating loss carryforwards available to offset future net income subject to federal income tax.

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

2007	$	33,869,855
2006	$	24,196,700
2005	$	13,726,900

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

RLI Corp.
Mt. Hawley Insurance Company
RLI Aviation, Inc.
RLI Indemnity Company
RLI Underwriting Services, Inc.
Underwriters Indemnity General Agency, Inc.
Safe Fleet Insurance Services, Inc.

(2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based on the ratio of that portion of the separate company taxable income each member bears to the total taxable income of the group. Intercompany balances are settled quarterly.

10. Information Concerning Parent, Subsidiaries and Affiliates

a, b, c. During 2007, the Company paid cash dividends to its parent, RLI Corp., of $149,722,427, of which $85 million were extraordinary dividends. A need existed to move additional capital to RLI Corp.; therefore, permission for the extraordinary dividends was sought and obtained from the Division. During the same period in 2006, the Company paid dividends to its parent of $59,495,808. The 2006 amount included dividends of shares of $35.2 million for the 100% carrying value of the company's investment in Maui Jim and $13.4 million for the 100% carrying value of the company's investment in Taylor Bean and Whitaker Mortgage Corp., as well as a cash dividend of $10.9 million.

The Company received $55 million in cash dividends from its wholly owned subsidiary, Mt. Hawley, during 2007. The Company received no dividends from any of its subsidiaries during 2006.

At December 31, 2007, the Company owns 100% of the common stock of its subsidiaries, Mt. Hawley, Safefleet, RLI Ltd., UIGA, and RLI US, having statement values of $453,153,779; $162,878; $1,117,426; $995,467; and $284,403; respectively. The Company non-admitted its investment in Safe Fleet, RLI Ltd, UIGA, and RLI US, per SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities, a replacement of SSAP No. 88, since GAAP audits are not conducted individually for these subsidiaries.

d. At December 31, 2007, the Company reported $144,304 as net amounts due from affiliates. At December 31, 2006, the Company reported $1,024,009 as net amounts due to affiliates. Any intercompany balance resulting from services performed or costs allocated in accordance with the terms of the intercompany services agreement shall be settled within 30 calendar days following the end of the calendar quarter in which such intercompany balance was created.

e. On January 1, 2003, the Company and its affiliate, RIC, entered into an intercompany reinsurance agreement. Under the terms of the agreement, after all of RIC's unaffiliated reinsurance cessions are effected, the Company assumes premium from RIC under a 90% quota share reinsurance agreement for all policies with effective dates of 1/1/2003 or later. This agreement was amended in 2004 to include the assuming of 100% of RIC's existing net loss reserves and any future development on these reserves. The Division approved the amendment on June 29, 2004.

On or about April 1, 2004, the Company entered into an intercompany guarantee with RLI Ltd. The Company has guaranteed the performance of RLI Ltd. with respect to a punitive damages wrap policy over an excess policy with the Company. The policy has been renewed with an effective date of April 1, 2007. The guarantee is in the amount of $20,000,000.

NOTES TO FINANCIAL STATEMENTS

f. The Company allocates certain expenses to RLI Corp. and affiliated companies, Mt. Hawley, RIC, RLI US and Safe Fleet, based upon the accounting principles set forth in NAIC SAP. The intercompany services agreement allows a portion of the expenses incurred by the Company for the benefit of these affiliates to be allocated on a pro rata basis relative to the affiliate companies' gross earned premium to the total of gross earned premiums of the Company, and any other affiliate managed by the Company. This agreement further allows the expenses incurred by Safe Fleet for the benefit of the Company to be charged back to the Company on a cost reimbursement basis.

g. RLI Corp., a holding company listed on the New York Stock Exchange and incorporated in the state of Illinois, owns 100% of the outstanding shares of the Company.

h. The wholly owned subsidiary of the Company, Mt. Hawley, owns 2,022,086 shares of RLI Corp., the Company's ultimate parent. This investment is being accounted for in accordance with the NAIC Securities Valuation Office guidelines.

i. The Company owns a 100% interest in Mt. Hawley, whose carrying value exceeds 10% of the admitted assets of the Company. The Company carries Mt. Hawley at the statutory equity basis of $454,153,779. The statement value of Mt. Hawley assets and liabilities as of December 31, 2007 was $1,040,417,221 and $586,263,442, respectively. Net income of Mt. Hawley was $104,603,710 for the year ended December 31, 2007.

j. The Company did not recognize any impairment write down for its investment in subsidiary, controlled or affiliated companies during the statement period.

k. The Company values its investment in its wholly owned foreign insurance subsidiary, RLI Ltd., a Bermuda corporation, based on the underlying GAAP equity adjusted to a statutory basis of accounting. The Company non-admits its investment in RLI Ltd per SSAP No. 97, a replacement of SSAP No. 88, since a GAAP audit is not conducted individually for this subsidiary.

l. The Company does not hold an investment in a downstream noninsurance holding company.

11. Debt

The Company has total outstanding liability at December 31, 2007 for borrowed money in the amount of $27,975,000 as detailed below.

The Company has outstanding liabilities for borrowed money in the amount of $27,975,000 due to Merrill Lynch, 330 Madison Avenue New York, NY as part of a reverse repurchase agreement. The securities were delivered on 12/18/2007. The securities involved are U.S Agency Securities. Interest of 4.75% is required to be paid at maturity, with the principal amount due in 2008. The Company is required to maintain a collateral security deposit with the lender. At December 31, 2007, assets having an admitted asset value of $27,999,950 and a market value of $28,375,333 were on deposit with the lender.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

a. Defined Benefit Plan

During 2003 through 2006, the Company gradually froze and terminated the defined benefit pension plan. The plan termination was finalized in 2006. All plan distributions were made in late 2006.

In 2006, the Company, along with its affiliates and ultimate parent, paid $14.4 million in benefits and had no remaining benefit obligation at December 31, 2006. Comparatively, the benefits paid in 2005 were $1.5 million with a benefit obligation of $11.4 million at December 31, 2005. The pension expense incurred was $2.6 million and $2.5 million in 2006 and 2005, respectively. No expenses were incurred in 2007.

b. Defined Contribution Plans

The Company has none to report.

c, d. Multi-employer & Consolidated/Holding Company Plans

The Company, along with its affiliates and ultimate parent, has an Employee Stock Ownership Plan (ESOP) and a 401(k) Plan, which covers substantially all employees. The Company provides a base contribution to the 401(k) plan of 3% of eligible compensation and allows voluntary contributions by employees. Additionally, annual discretionary profit-sharing contributions may be made to both plans, subject to the achievement of certain overall financial goals. The total amount of expense for these plans for 2007 and 2006 was $9,761,233 and $7,983,865, respectively. The Company allocates a portion of this expense to its subsidiaries per terms of the intercompany services agreement.

The Company, along with its affiliate and ultimate parent, also has bonus and incentive plans covering executives, management, and associates. These plans are subject to the achievement of certain overall financial targets, and to a lesser extent, management incentive plans are affected by other performance measures. The total amount of expense for these plans was $10,896,646 and $10,739,789, respectively, for the years ended 2007 and 2006. The Company allocates a portion of this expense to its subsidiaries per terms of the intercompany services agreement.

e. Postemployment Benefits and Compensated Absences

In 2002, the Company, along with its affiliate and ultimate parent, began offering certain eligible employees post-employment medical coverage. Under the Company's plan, employees, who retire at age 55 or older with 20 or more years of company service, may continue medical coverage under the Company's health plan. Employees who elect continuation of coverage pay the full COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) rate and coverage terminates upon reaching age 65. The Company expects a relatively small number or employees will become eligible for this benefit. The COBRA rate established for participating employees covers the cost of providing this coverage. The Company does not provide compensated absences.

f. Impact of Medicare Modernization Act on Postretirement Benefits

The Company has none to report.

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

(1)-(9) The Company has 1,000,000 shares authorized and 80,003 issued and outstanding. Par value equals $125 per share. The Company has no preferred stock outstanding.

NOTES TO FINANCIAL STATEMENTS

Dividend payments from the Company to its parent are restricted by state insurance laws as to the amount that may be paid without prior approval from the regulatory authorities of Illinois. The maximum dividend distribution is limited by Illinois law to the greater of 10 percent of policyholder surplus as of December 31 of the preceding year or the net income of the Company for the 12-month period ending December 31 of the preceding year. Therefore, the maximum dividend that can be paid by the Company during 2008 without prior approval is $126,205,653, which represents the Company's 2007 net income.

State insurance laws also restrict dividend payments to the Company from Mt. Hawley. The maximum dividends that can be paid to the Company by Mt. Hawley during 2008 without prior approval are $104,603,710, which represents Mt. Hawley's 2007 net income.

The Company has no restrictions on unassigned surplus. No stock of the Company is being held for special purposes.

Unassigned surplus includes $65,337,585 in net unrealized gains on investments and has been reduced by $13,988,506 relating to nonadmitted assets. Additionally, surplus has been reduced by $903,200 for the provision for reinsurance.

(10)-(12) The Company has no surplus notes. The Company has not been part of a quasi-reorganization.

(13) During 2007, the Company paid cash dividends to its parent, RLI Corp., of $149,722,427. Of this, $64.7 million of ordinary dividends were paid in June 2007 and $85 million of extraordinary dividends were paid in September and December 2007 in the amounts of $50 million and $35 million, respectively. A need existed to move additional capital to RLI Corp.; therefore, permission for the extraordinary dividends was sought and obtained from the Division.

14. Contingencies

a. Contingent Commitments

The Company has none to report.

b. Assessments

The Company has an accrual for assessments as December 31, 2007, of $1.5 million. It is not possible at this time to determine the periods over which the assessments are expected to be paid.

c. Gain Contingencies

The Company has none to report.

d. Claims related extra contractual obligations and bad faith losses stemming from lawsuits.

The Company has none to report.

e. All Other Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company. The Company has no asset that it considers impaired

15. Leases

The Company leases regional office facilities and computers under operating leases. These leases expire in various years through 2014. Minimum future rental payments under noncancellable leases are as follows:

2008	$	3,379,154
2009		3,425,667
2010		3,059,179
2011		2,486,835
2012 and thereafter		2,921,503
Total minimum future rental payments	$	15,272,338

The Company shares rental expense with its affiliate, Mt. Hawley, through an intercompany services agreement. The Company's portion of rental expense for 2007 and 2006 was $1,028,287 and $1,363,061 respectively.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Concentrations of Credit Risk

The Company has none to report.

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

The Company has none to report.

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

The Company has none to report.

19. Direct Premium Written by Managing General Agents/Third Party Administrators

The Company has none to report.

20. Other Items

The Company elected to use rounding in reporting amounts in this statement.

During 2007, the Company recognized no losses for the other-than-temporary decline in fair values (impairments).

The Company has no state transferable credits as of December 31, 2007.

NOTES TO FINANCIAL STATEMENTS

The Company does not engage in subprime residential mortgage lending. The Company evaluates many characteristics when classifying collateral as subprime, including credit quality of the borrower as defined by Fair Isaac Credit Organization (FICO) scores, as well as other factors, such as loan-to-value ratios and type of real estate. Relating to investments, the Company's exposure to subprime lending is limited to the fixed maturity investment portfolio which contains securities collateralized by mortgages that have characteristics of subprime lending such as home equity mortgages. These investments are in the form of asset-backed securities collateralized by subprime mortgages and collateralized mortgage obligations backed by alternative documentation mortgages. The total carrying value of these investments is approximately $4.9 million comprising less than 1% of the Company's total fixed maturity portfolio. The average credit rating of all of these securities was AAA as of December 31, 2007 and reflects the Company practice of minimizing exposure to low quality (subprime type) credit risk. In addition, all of the securities containing subprime collateral were originated before 2005. The Company did not recognize any impairment write down in the investment portfolio, including subprime mortgages during the statement period.

The following table presents the Company's exposure to ABS securities backed by subprime residential mortgage loans as of 12/31/07.

Credit Quality	Book/Adjusted Carrying Value	Fair Value
NAIC 1	$ 4,856,924	$ 4,813,775
NAIC 2	-	-
NAIC 3	-	-
NAIC 4	-	-
	$ 4,856,924	$ 4,813,775

From an insurance standpoint, the casualty segment has exposure to subprime market issues through the Company's other liability (directors and officers) coverages. The Company's exposure to subprime, however, is minimal. The Company has a limited number of claims and expects net exposure to subprime to be less than $5 million. The surety segment is another area that the Company can have direct exposure to subprime. The Company writes a few mortgage broker bonds, but believes this exposure to be minimal. In addition, the Company does not have significant exposure from a surety standpoint to the home building industry.

21. Events Subsequent

The Company has none to report.

22. Reinsurance

a. Unsecured Reinsurance Recoverables; Greater Than 3% of Policyholder Surplus

NAIC CO. #	FEIN #	COMPANY NAME	GROUP AFFILIATION	AMOUNT
22039	13-2673100	General Rein Corp	General Gologne Re Group	36,141,000
10227	13-4924125	Munich Re American	Munich Re American Corp Group	40,130,000
42439	13-2918573	TOA Reinsurance	No Group Affiliation	23,034,000
				$ 99,305,000

b. Reinsurance Recoverable in Dispute

There are no recoverables in dispute that exceed 5% of surplus.

c. Reinsurance Assumed and Ceded

(1)

	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	Premium Reserve (1)	Commission Equity (2)	Premium Reserve (3)	Commission Equity (4)	Premium Reserve (5)	Commission Equity (6)
Affiliates	1,932,944	-	-	-	1,932,944	-
All Other	1,698,955	-	35,336,745	7,501,192	(33,637,790)	(7,501,192)
Total	$ 3,631,899	$ -	$ 35,336,745	$ 7,501,192	$ (31,704,846)	$ (7,501,192)

Direct Unearned Premium Reserve - $170,754,060

NOTES TO FINANCIAL STATEMENTS

(2)

	DIRECT	REINSURANCE Assumed	REINSURANCE Ceded	NET
Contingent Commission	15,087	-	-	15,087
Sliding Scale Adjustment	-	-	-	-
Other	-	-	-	-
Total	$ 15,087	$ -	$ -	$ 15,087

(3) The Company has no risks attributable to protected cells.

d. Uncollectible Reinsurance

The Company has taken a charge against income in the current year of $8,554,039 for reinsurance balances deemed uncollectible from the companies listed below. This charge is reflected as:

1)	Losses/Loss adjustment expenses incurred	$ 8,554,039
2)	Premiums Earned	$ -

COMPANY NAME	AMOUNT
Banco De Seguros Del Esta	70,414
Bermuda Syndicate	(33)
Chancellor	33,896
Cherokee Ins Co	1,251,710
CIE Transcontinentale	1,006,351
Classic Fire and Marine	1,178,494
Danielson (Mission) Ins Co	430,500
Equitas	1,409,082
Heartland Group, Inc	49,107
Home Insurance Company	140,000
Hudson Reinsurance Ltd	222,825
Integrity Insurance Co	(28,264)
Kansas General Ins Co Ltd	(10,708)
Kansas Re	85,540
Lumberman's Mutual	(56,466)
Millers National Ins Co	(7,537)
Munich Re America	2,746,475
National Employers Mutual	14,513
National Underwriters	60,341
Nem Re-Insurance Corp	(133)
New Cap Re	(524,320)
Orion Insurance	27,932
Paris International	(750)
Pine Top Ins Co	17,744
Pine Top Syndicate	4,464
PMA Capital Ins	345,211
Proprietors	(76)
Reliance Insurance Co	(2,102)
Southern American Ins Co	4,152
Union Indemnity Ins Co	82,381
W.F. Poe Ins Co	(3,910)
Walton Ins Ltd	7,206
Total	$ 8,554,039

e. Commutation of Ceded Reinsurance

The Company has none to report.

f. Retroactive Reinsurance

The Company has none to report.

g. Reinsurance Accounted for as a Deposit

The Company has none to report.

NOTES TO FINANCIAL STATEMENTS

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing known loss development (including IBNR) with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium. The number of the company's policies which can be classified as retrospectively rated is minimal. Based on the method described above, no accrual of return or additional premium was required.

24. Change in Incurred Losses and Loss Adjustment Expenses

Total incurred losses and defense and cost containment expenses attributable to insured events which occurred prior to January 1, 2007 have decreased by approximately $31,456,000 from approximately $985,365,000 as of December 31, 2006 to $953,909,000 as of December 31, 2007. This compares to a decrease of $7,823,000 that occurred in 2006. Both periods reflect favorable development on prior accident years' reserves.

During 2007, the company undertook an assessment of recent reserving trends and reserve risk factors. This included a detailed ground-up analysis of the actuarial estimation risks associated with each of its products plus discussions with external consultants and assessment of industry information. This review confirmed a favorable trend in recent years resulting from moderating loss trends, improvements in policy terms and conditions and a favorable underlying exposure mix that occurred during the hard market period of 2001 through 2004. Further, based on this review, refinements were made to company reserving methodologies to include a more detailed consideration of the impact of risk factors on total recorded reserves. This, along with increased internal dialogue, improved reserving diagnostics and greater transparency of the actuarial process, has provided better and faster feedback to management and resulted in greater overall confidence in the actuarial estimates. As a consequence, management believes that the needed level of carried reserves above the actuarial point estimate has diminished. Over half of the favorable prior years' loss development in 2007 was the result of this detailed assessment and resulting changes in booked reserves.

The biggest share of the favorable development comes from accident years 2004 and 2005. By line of business, it is principally attributable to Commercial Auto Liability and Surety with smaller contributions coming from the Auto Physical Damage, Fire, Allied Lines and Inland Marine. These decreases offset small increases for the Reinsurance, Other Liability, Products Liability and Ocean Marine lines of business. Other than as described in the previous paragraph, the most significant driver of changes was updated expected development patterns that were adjusted to take into account the most recent observations.

The Company writes only a few retrospectively rated policies and 2007 development on losses and allocated loss adjustment expenses had no effect on accrued premiums.

25. Intercompany Pooling Arrangements

The Company has none to report.

26. Structured Settlements

The Company enters into a very limited number of structured settlements. In each instance, the Company receives a full release of liability from the claimant. No contingent liability exists, should the issuer of the annuity fail to perform under the terms of the annuity.

27. Health Care Receivables

Under the Company's current health care plan, effective 8/1/07, the Company receives monthly prescription drug rebates. These savings are netted against monthly health care expenses, and no receivable is recorded. The Company believes annual rebates will amount to less than $100,000.

28. Participating Policies

The Company has none to report.

29. Premium Deficiency Reserves

The Company has none to report.

30. High Deductibles

The Company has not recorded a reserve credit for high deductibles on unpaid claims.

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

The Company has none to report.

32. Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims. The Company's exposure arises from both primary and excess general liability coverage and from reinsurance assumed in the early 1980's. As with other types of claims, the Company estimates the ultimate settlement value of known asbestos and environmental claims through the establishment of case reserves by its claims staff. Bulk IBNR reserves are estimated using past company experience in combination with industry reserving practices because the company's data does not provide reliable patterns on its own.

During 2007, the Company's payment activity was less than in 2006 but there was some unusual reporting activity. Two situations caused large case reserve adjustments. The Company reinsured an insurance company in the early 1980's that went into liquidation in 1986 and reported a number of claims in 2007, the largest of which involved asbestos. In response to this, the Company posted total net case reserves of $2.8 million. Also, a $2.2 million reserve adjustment was made on a 1983 asbestos related claim due to the coverage layers below our excess policy being exhausted. In addition to these case reserve increases, the Company made a minor adjustment in its emergence pattern assumptions in order to enhance its total reserve position relative to industry benchmarks.

NOTES TO FINANCIAL STATEMENTS

The Company's asbestos related losses (including the cost of coverage dispute) for each of the five most recent calendar years is as follows:

RLI Direct Asbestos	2007	2006	2005	2004	2003
Beginning reserves	$ 4,194,400	$ 2,314,494	$ 2,380,865	$ 2,754,776	$ 2,965,729
Incurred losses and lae	8,031,905	1,907,197	(0)	(371,733)	(208,374)
Calendar year payments for losses and lae	26,491	27,291	66,371	2,178	2,578
Total ending reserves	$ 12,199,814	$ 4,194,400	$ 2,314,494	$ 2,380,865	$ 2,754,776
Ending IBNR	$ 7,684,413	$ 2,197,166	$ 306,346	$ 469,881	$ 991,095
(b) IBNR - Losses	6,915,972	2,020,375	275,711	422,893	891,986
(c) IBNR LAE	768,441	176,791	30,635	46,988	99,110

RLI Assumed Asbestos					
Beginning reserves	$ 9,868,328	$ 7,725,537	$ 4,300,273	$ 4,654,443	$ 5,097,417
Incurred losses and lae	10,397,137	3,656,632	3,500,000	371,733	208,374
Calendar year payments for losses and lae	76,317	1,513,841	74,736	725,903	651,348
Total ending reserves	$ 20,189,148	$ 9,868,328	$ 7,725,537	$ 4,300,273	$ 4,654,443
Ending IBNR	$ 9,507,059	$ 4,218,662	$ 598,365	$ 848,691	$ 1,674,545
(b) IBNR - Losses	8,556,353	3,824,940	538,528	763,822	1,507,090
(c) IBNR LAE	950,706	393,722	59,836	84,869	167,454

RLI Net Asbestos					
Beginning reserves	$ 10,922,800	$ 5,257,479	$ 3,361,299	$ 3,730,854	$ 4,133,010
Incurred losses and lae	10,891,458	6,744,524	2,000,000	-	-
Calendar year payments for losses and lae	79,919	1,079,203	103,820	369,555	402,156
Total ending reserves	$ 21,734,339	$ 10,922,800	$ 5,257,479	$ 3,361,299	$ 3,730,854
Ending IBNR	$ 10,660,479	$ 5,994,448	$ 524,929	$ 553,900	$ 1,278,721
(b) IBNR - Losses	9,594,431	5,440,804	472,436	498,510	1,150,849
(c) IBNR LAE	1,066,048	553,664	52,493	55,390	127,872

The Company's environmental related losses (including the cost of coverage dispute) for each of the five most recent calendar years is as follows:

RLI Direct Environmental	2007	2006	2005	2004	2003
Beginning reserves	$ 4,891,168	$ 13,786,812	$ 14,505,359	$ 21,101,899	$ 19,405,138
Incurred losses and lae	1,257,851	(4,765,638)	-	(2,624,442)	3,328,604
Calendar year payments for losses and lae	448,593	4,130,006	718,547	3,972,098	1,631,844
Total ending reserves	$ 5,700,426	$ 4,891,168	$ 13,786,812	$ 14,505,359	$ 21,101,899
Ending IBNR	$ 3,446,355	$ 3,003,657	$ 7,632,223	$ 7,044,721	$ 2,591,461
(b) IBNR - Losses	2,929,402	2,589,234	6,487,390	5,988,013	2,202,742
(c) IBNR LAE	516,953	414,423	1,144,833	1,056,708	388,719

RLI Assumed Environmental					
Beginning reserves	$ 2,861,566	$ 1,913,950	$ 1,966,957	$ 2,749,058	$ 1,330,837
Incurred losses and lae	(532,486)	969,574	0	962,723	1,467,163
Calendar year payments for losses and lae	988,981	21,958	53,007	1,744,824	48,943
Total ending reserves	$ 1,340,099	$ 2,861,566	$ 1,913,950	$ 1,966,957	$ 2,749,058
Ending IBNR	$ 631,052	$ 1,175,755	$ 1,052,999	$ 955,279	$ 337,604
(b) IBNR - Losses	536,394	1,070,872	895,049	811,987	286,963
(c) IBNR LAE	94,658	104,883	157,950	143,292	50,641

RLI Net Environmental					
Beginning reserves	$ 5,133,212	$ 5,759,126	$ 6,356,975	$ 3,371,006	$ 4,158,470
Incurred losses and lae	(321,139)	1,449,945	-	7,074,634	(584,815)
Calendar year payments for losses and lae	813,478	2,075,859	597,849	4,088,665	202,649
Total ending reserves	$ 3,998,595	$ 5,133,212	$ 5,759,126	$ 6,356,975	$ 3,371,006
Ending IBNR	$ 2,064,952	$ 3,135,374	$ 2,992,719	$ 3,000,000	$ 413,983
(b) IBNR - Losses	1,755,209	2,821,917	2,543,811	2,550,000	351,886
(c) IBNR LAE	309,743	313,457	448,908	450,000	62,097

33. Subscriber Savings Accounts

The Company has none to report.

34. Multiple Peril Crop Insurance

The Company has none to report.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	6,379,243	0.493	6,379,243	0.494
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	4,711,598	0.364	4,711,598	0.365
1.22 Issued by U.S. government sponsored agencies	100,968,804	7.804	100,968,804	7.821
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)	0	0.000	0	0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	30,223,014	2.336	30,223,014	2.341
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	56,294,245	4.351	56,294,245	4.361
1.43 Revenue and assessment obligations	106,315,422	8.217	106,315,422	8.235
1.44 Industrial development and similar obligations	0	0.000	0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	4,918,133	0.380	4,918,133	0.381
1.512 Issued or guaranteed by FNMA and FHLMC	75,915,541	5.867	75,915,541	5.880
1.513 All other	91,670	0.007	91,670	0.007
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	16,779,186	1.297	16,779,186	1.300
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	0	0.000	0	0.000
1.523 All other	29,447,974	2.276	29,447,974	2.281
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	110,080,683	8.508	110,080,683	8.527
2.2 Unaffiliated foreign securities	12,700,817	0.982	12,700,817	0.984
2.3 Affiliated securities	0	0.000	0	0.000
3. Equity interests:				
3.1 Investments in mutual funds	0	0.000	0	0.000
3.2 Preferred stocks:				
3.21 Affiliated	0	0.000	0	0.000
3.22 Unaffiliated	17,752,800	1.372	17,752,800	1.375
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0	0.000	0	0.000
3.32 Unaffiliated	227,218,784	17.562	227,218,784	17.600
3.4 Other equity securities:				
3.41 Affiliated	456,713,953	35.299	454,153,779	35.179
3.42 Unaffiliated	0	0.000	0	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0	0.000	0	0.000
3.52 Unaffiliated	0	0.000	0	0.000
4. Mortgage loans:				
4.1 Construction and land development	0	0.000	0	0.000
4.2 Agricultural	0	0.000	0	0.000
4.3 Single family residential properties	0	0.000	0	0.000
4.4 Multifamily residential properties	0	0.000	0	0.000
4.5 Commercial loans	0	0.000	0	0.000
4.6 Mezzanine real estate loans	0	0.000	0	0.000
5. Real estate investments:				
5.1 Property occupied by the company	6,477,214	0.501	6,174,137	0.478
5.2 Property held for the production of income (including $ ..... of property acquired in satisfaction of debt)	0	0.000	0	0.000
5.3 Property held for sale (including $ ..... property acquired in satisfaction of debt)	0	0.000	0	0.000
6. Contract loans	0	0.000	0	0.000
7. Receivables for securities	1,710,930	0.132	1,710,930	0.133
8. Cash, cash equivalents and short-term investments	29,143,595	2.252	29,143,595	2.257
9. Other invested assets	0	0.000	0	0.000
10. Total invested assets	1,293,843,606	100.000	1,290,980,355	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State Regulating? Illinois

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:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2003

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. 12/31/2003

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). 06/21/2005

3.4 By what department or departments? Illinois Department of Financial and Professional Regulation - Division of Insurance

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

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

4.12 renewals? Yes [ ] No [X]

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

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

4.22 renewals? Yes [ ] No [X]

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

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

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

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information

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

7.2 If yes,

7.21 State the percentage of foreign control;

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

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG LLP; 303 East Wacker Drive; Chicago, IL 60601

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....
Phillip S. Moore, AVP - Actuarial Services; RLI Insurance Company; 9025 N. Lindbergh Drive; Peoria, IL 61615

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

11.11 Name of real estate holding company .....

11.12 Number of parcels involved.....

11.13 Total book/adjusted carrying value..... $.....

11.2 If yes, provide explanation

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

12.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]

12.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended?..... Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [ ] No [X]

13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. 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 [ ]

15. 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 [ ]

16. 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 that is in conflict or likely to conflict with the official duties of such person?..... Yes [X] No [ ]

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? ..... Yes [ ] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers .. $ 0
- 18.12 To stockholders not officers ... $ 0
- 18.13 Trustees, supreme or grand (Fraternal only) ..... $ 0

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers ... $ 0
- 18.22 To stockholders not officers .... $ 0
- 18.23 Trustees, supreme or grand (Fraternal only) ..... $ 0

19.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? ..... Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others ..... $
- 19.22 Borrowed from others ..... $
- 19.23 Leased from others ..... $
- 19.24 Other ..... $

20.1 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]

20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment ..... $
- 20.22 Amount paid as expenses ..... $
- 20.23 Other amounts paid ..... $

21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [X] No [ ]

21.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount: ..... $ 7,234,894

INVESTMENT

22.1 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? ..... Yes [ ] No [X]

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

On 12/31/07, the company had securities on loan pursuant to a securities lending agreement.

23.1 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, 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 19.1) ..... Yes [X] No [ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Loaned to others ..... $ 16,109,733
- 23.22 Subject to repurchase agreements ..... $
- 23.23 Subject to reverse repurchase agreements ..... $ 27,999,950
- 23.24 Subject to dollar repurchase agreements ..... $
- 23.25 Subject to reverse dollar repurchase agreements ..... $
- 23.26 Pledged as collateral ..... $
- 23.27 Placed under option agreements ..... $
- 23.28 Letter stock or other securities restricted as to sale ... $
- 23.29 On deposit with state or other regulatory body ..... $ 4,827,594
- 23.291 Other ..... $

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

25.1 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]

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

GENERAL INTERROGATORIES

26. 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 Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [X] No [ ]

26.01 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
JP Morgan Chase Bank, NA	227 West Monroe Street Chicago, IL. 60603

26.02 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)	2 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? ..... Yes [X] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Mellon Bank, NA	JP Morgan Chase Bank, NA	05/01/2007	Better integration with banking applications

26.05 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	2 Address
107423	Conning Asset Management, Co	One Financial Plaza, Hartford, CT. 06103
105990	David Vaughan Investments, Inc	5223 N. Forest Park Drive Peoria, IL. 61614
106201	Security Capital Research and Management, Inc	10 S. Dearborn St. Suite 1400 Chicago, IL. 60603

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? ..... Yes [ ] No [X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds	588,625,743	593,708,804	5,083,061
28.2 Preferred stocks	17,752,800	16,205,600	(1,547,200)
28.3 Totals	606,378,543	609,914,404	3,535,861

28.4 Describe the sources or methods utilized in determining fair values:

FT Interactive Data; PO Box 98616 Chicago, IL. 60693

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

29.2 If no, list the exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 764,156

30.2 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	429,514
NAII	201,928

31.1 Amount of payments for legal expenses, if any? $ 635,045

31.2 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
Hunton & William	215,481

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

32.2 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

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 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. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 244,443,167	$ 227,970,972
2.3	Premium Ratio (2.1/2.2)	0.000	0.000
2.4	Reserve Numerator	$ 75,756	$ 75,354
2.5	Reserve Denominator	$ 480,689,989	$ 489,486,903
2.6	Reserve Ratio (2.4/2.5)	0.000	0.000

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies $

3.22 Non-participating policies $

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]

4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. $

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [ ]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] NA [ ]

5.22 As a direct expense of the exchange Yes [ ] No [ ] NA [ ]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [ ]

5.5 If yes, give full information

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1 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:

N/A

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:

The Company uses RMS modeling software to manage earthquake and wind exposures, which are concentrated in California, Hawaii and the Gulf Coast

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?

The Company purchases catastrophe reinsurance coverage and has established exposure limits for underwriting.

6.4 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 [ ]

6.5 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.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that 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]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

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

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty–five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]

(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]

(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has file attestation supplement. Yes [ ] No [X]

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [X] No [ ]

11.2 If yes, give full information

The Company has an intercompany guarantee with its wholly owned subsidiary, RLI Ltd. The Company has guaranteed the performance of RLI Ltd. in the amount of $20,000,000 with respect to a punitive damages wrap policy over an excess policy with the company. The policy effective date is April 1, 2007

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses $

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $

12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $

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

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

12.41 From %

12.42 To %

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

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

12.61 Letters of Credit $ 268,702,263

12.62 Collateral and other funds $ 65,187,059

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 8,000,000

13.2 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]

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

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

Each cedant (statutory company) is charged the reinsurance contract rate and receives applicable recoveries.

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [X] No [ ]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ]

14.5 If answer to 14.4 is no, please explain:

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

15.2 If yes, give full information

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

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

		1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11	Home	$	$	$	$	$
16.12	Products	$	$	$	$	$
16.13	Automobile	$	$	$	$	$
16.14	Other*	$	$	$	$	$

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. ..... Yes [X] No [ ]

Incurred but not reported losses on contracts not in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$ 1,185,000
17.12	Unfunded portion of Interrogatory 17.11	$ 1,185,000
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$
17.14	Case reserves portion of Interrogatory 17.11	$
17.15	Incurred but not reported portion of Interrogatory 17.11	$ 1,185,000
17.16	Unearned premium portion of Interrogatory 17.11	$
17.17	Contingent commission portion of Interrogatory 17.11	$

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$
17.19	Unfunded portion of Interrogatory 17.18	$
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$
17.21	Case reserves portion of Interrogatory 17.18	$
17.22	Incurred but not reported portion of Interrogatory 17.18	$
17.23	Unearned premium portion of Interrogatory 17.18	$
17.24	Contingent commission portion of Interrogatory 17.18	$

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
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)	188,918,025	205,318,659	209,081,110	204,434,620	227,395,097
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	23,912,807	30,195,485	54,247,352	91,458,161	95,155,444
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	53,749,574	40,448,223	24,843,179	12,223,137	11,248,059
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	70,023,849	66,049,173	60,203,610	54,169,242	52,989,032
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	0	0	0	0	(1,080,433)
6. Total (Line 34)	336,604,255	342,011,540	348,375,251	362,285,160	385,707,199
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)	120,854,309	115,647,502	120,212,677	133,415,139	136,763,243
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	22,115,760	18,166,375	20,282,072	52,081,531	56,341,484
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	44,966,561	33,491,400	20,520,074	10,109,592	9,000,805
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	65,343,011	62,119,078	55,530,328	49,286,650	45,203,227
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	0	0	0	0	(1,080,433)
12. Total (Line 34)	253,279,641	229,424,355	216,545,151	244,892,912	246,228,326
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	43,124,715	23,094,555	12,605,161	17,622,247	1,421,501
14. Net investment gain (loss) (Line 11)	105,749,979	57,548,037	39,083,251	36,138,164	36,281,469
15. Total other income (Line 15)	192,179	724,733	897,572	696,723	2,288,200
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	22,861,220	5,656,825	14,287,821	18,589,409	5,880,471
18. Net income (Line 20)	126,205,653	75,710,500	38,298,163	35,867,725	34,110,699
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,351,885,102	1,366,310,095	1,300,270,576	1,216,033,560	1,127,912,661
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	33,873,966	50,176,886	54,880,790	60,210,489	56,113,738
20.2 Deferred and not yet due (Line 13.2)	0	0	0	0	0
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	599,880,777	619,404,680	609,723,904	610,066,757	581,326,503
22. Losses (Page 3, Line 1)	281,326,555	303,516,754	300,208,388	294,890,518	230,127,704
23. Loss adjustment expenses (Page 3, Line 3)	59,770,036	55,500,855	51,456,920	50,295,019	29,408,648
24. Unearned premiums (Page 3, Line 9)	139,049,214	130,212,740	128,759,357	135,645,884	139,374,634
25. Capital paid up (Page 3, Lines 28 & 29)	10,000,375	10,000,375	10,000,375	10,000,375	10,000,375
26. Surplus as regards policyholders (Page 3, Line 35)	752,004,325	746,905,415	690,546,672	605,966,803	546,586,158
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	107,459,049	42,944,904	67,956,259	60,415,469	81,048,874
Risk-Based Capital Analysis					
28. Total adjusted capital	752,004,325	746,905,415	690,546,672	605,966,803	546,586,158
29. Authorized control level risk-based capital	79,833,666	84,652,934	81,317,454	82,471,364	74,688,786
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	43.0	45.0	47.2	49.5	49.3
31. Stocks (Lines 2.1 & 2.2)	54.2	51.7	50.6	48.9	47.0
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.5	0.5	0.5	0.5	0.6
34. Cash, cash equivalents and short-term investments (Line 5)	2.3	2.1	1.2	1.0	2.6
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.0	0.7	0.5	0.2	0.5
37. Receivables for securities (Line 8)	0.1	0.0	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	456,713,953	418,698,094	404,485,860	344,301,109	289,933,387
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)	0				
44. Affiliated mortgage loans on real estate		0	0	0	0
45. All other affiliated		0	0	0	0
46. Total of above Lines 40 to 45	456,713,953	418,698,094	404,485,860	344,301,109	289,933,387
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	60.7	56.1	58.6	56.8	53.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	25,554,010	45,421,257	62,831,923	41,839,094	65,767,664
49. Dividends to stockholders (Line 35)	(149,722,427)	(59,495,808)	(13,036,489)	(19,585,772)	(5,528,207)
50. Change in surplus as regards policyholders for the year (Line 38)	5,098,910	56,358,743	84,579,869	59,380,645	145,317,408
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	78,726,011	114,468,014	109,848,178	96,144,290	99,819,780
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	14,188,510	66,582,160	34,952,601	32,102,477	42,931,286
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	12,315,337	10,441,178	3,439,458	2,652,019	4,719,545
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	18,593,356	1,442,888	11,464,110	14,693,572	26,289,902
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	1,289,468	1,534,054	325,864	2,492,649	934,821
56. Total (Line 34)	125,112,682	194,468,294	160,030,211	148,085,007	174,695,334
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	50,178,321	42,941,225	49,354,980	51,088,011	31,286,194
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,766,064	19,154,623	23,007,776	25,044,625	17,068,008
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	10,569,351	6,411,489	3,226,241	2,486,236	2,992,323
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	9,625,524	1,783,753	4,606,528	6,846,936	12,375,073
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	710,784	920,821	202,232	1,324,648	576,381
62. Total (Line 34)	82,850,044	71,211,911	80,397,757	86,790,456	64,297,979
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	24.8	32.7	38.4	33.8	52.5
65. Loss expenses incurred (Line 3)	12.0	13.3	14.2	21.0	9.9
66. Other underwriting expenses incurred (Line 4)	45.6	43.9	41.8	38.0	37.0
67. Net underwriting gain (loss) (Line 8)	17.6	10.1	5.6	7.1	0.6
Other Percentages					
68. 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)	43.9	43.3	42.7	38.3	36.8
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	36.8	45.9	52.6	54.9	62.4
70. 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)	33.7	30.7	31.4	40.4	45.0
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(31,456)	(7,823)	(12,861)	(6,862)	(3,635)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(4.2)	(1.1)	(2.1)	(1.3)	(0.9)
Two Year Loss Development (000 omitted)					
73. 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)	(31,258)	(25,594)	(14,306)	(1,569)	(5,287)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(4.5)	(4.2)	(2.6)	(0.4)	(1.8)

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	116,977,778	118,872,424	117,091,176	117,023,888
Governments	2. Canada	0	0	0	0
(Including all obligations guaranteed	3. Other Countries	0	0	0	0
by governments)	4. Totals	116,977,778	118,872,424	117,091,176	117,023,888
States, Territories and Possessions	5. United States	30,223,014	31,063,293	30,894,363	29,475,000
(Direct and guaranteed)	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	30,223,014	31,063,293	30,894,363	29,475,000
Political Subdivisions of States,	9. United States	56,294,245	56,942,566	58,299,315	53,050,000
Territories and Possessions	10. Canada	0	0	0	0
(Direct and guaranteed)	11. Other Countries	0	0	0	0
	12. Totals	56,294,245	56,942,566	58,299,315	53,050,000
Special revenue and special assessment					
obligations and all non-guaranteed	13. United States	199,010,146	200,940,469	202,333,965	194,073,367
obligations of agencies and authorities of	14. Canada	0	0	0	0
governments and their political subdivisions	15. Other Countries	0	0	0	0
	16. Totals	199,010,146	200,940,469	202,333,965	194,073,367
Public Utilities (unaffiliated)	17. United States	11,885,288	11,984,916	12,032,835	11,775,000
	18. Canada	0	0	0	0
	19. Other Countries	44,837	43,970	44,835	45,000
	20. Totals	11,930,125	12,028,886	12,077,670	11,820,000
Industrial and Miscellaneous and Credit Tenant	21. United States	127,735,042	127,747,521	128,538,015	126,491,524
Loans (unaffiliated)	22. Canada	2,056,931	1,996,470	2,041,970	2,100,000
	23. Other Countries	10,599,049	10,317,762	10,716,749	10,305,000
	24. Totals	140,391,022	140,061,753	141,296,734	138,896,524
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. **Total Bonds**	554,826,330	559,909,391	561,993,223	544,338,779
PREFERRED STOCKS	27. United States	2,000,000	1,860,000	2,000,000	
Public Utilities (unaffiliated)	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	2,000,000	1,860,000	2,000,000	
Banks, Trust and Insurance Companies	31. United States	3,000,000	2,508,000	3,000,000	
(unaffiliated)	32. Canada	0	0	0	
	33. Other Countries	3,304,000	3,304,000	3,991,200	
	34. Totals	6,304,000	5,812,000	6,991,200	
Industrial and Miscellaneous (unaffiliated)	35. United States	9,448,800	8,533,600	9,976,240	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	9,448,800	8,533,600	9,976,240	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. **Total Preferred Stocks**	17,752,800	16,205,600	18,967,440	
COMMON STOCKS	41. United States	38,804,720	38,804,720	20,346,882	
Public Utilities (unaffiliated)	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	38,804,720	38,804,720	20,346,882	
Banks, Trust and Insurance Companies	45. United States	26,263,589	26,263,589	15,944,870	
(unaffiliated)	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	26,263,589	26,263,589	15,944,870	
Industrial and Miscellaneous (unaffiliated)	49. United States	158,720,265	158,720,265	88,845,106	
	50. Canada	0	0	0	
	51. Other Countries	3,430,210	3,430,210	1,158,924	
	52. Totals	162,150,475	162,150,475	90,004,030	
Parent, Subsidiaries and Affiliates	53. Totals	456,713,953	456,713,953	145,688,624	
	54. **Total Common Stocks**	683,932,737	683,932,737	271,984,406	
	55. **Total Stocks**	701,685,537	700,138,337	290,951,846	
	56. **Total Bonds and Stocks**	1,256,511,867	1,260,047,728	852,945,069	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year		1,227,222,409
2. Cost of bonds and stocks acquired, Column 7, Part 3		184,239,796
3. Accrual of discount		248,034
4. Increase (decrease) by adjustment:		
4.1 Columns 12 - 14, Part 1	0	
4.2 Columns 15 - 17, Part 2, Sec. 1	(1,214,640)	
4.3 Column 15, Part 2, Sec. 2	45,250,418	
4.4 Columns 11 - 13, Part 4	(28,348,981)	15,686,797
5. Total gain (loss), Column 19, Part 4		24,885,209
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4		193,461,910
7. Amortization of premium		2,308,468
8. Foreign Exchange Adjustment:		
8.1 Column 15, Part 1	0	
8.2 Column 19, Part 2, Sec. 1	0	
8.3 Column 16, Part 2, Sec. 2	0	
8.4 Column 15, Part 4	0	0
9. Book/adjusted carrying value at end of current period		1,256,511,867
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)		1,256,511,867
12. Total nonadmitted amounts		2,560,174
13. Statement value of bonds and stocks, current period		1,253,951,693

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

($000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX	5,509	2,476	1,883	1,809	88	1	12	3,194	XXX
2. 1998	212,001	108,863	103,138	63,711	33,598	6,449	2,519	3,792	220	5,135	37,615	XXX
3. 1999	241,293	101,238	140,055	172,616	116,018	13,882	5,424	7,461	778	9,185	71,739	XXX
4. 2000	307,640	132,968	174,672	221,083	139,718	21,200	10,681	10,551	1,570	9,758	100,865	XXX
5. 2001	366,749	163,454	203,295	163,278	78,686	22,037	7,312	12,617	2,052	19,193	109,882	XXX
6. 2002	405,737	182,110	223,627	209,150	128,785	44,246	24,425	12,419	1,584	18,317	111,021	XXX
7. 2003	392,381	141,618	250,763	149,838	68,870	20,208	5,315	12,045	779	14,241	107,127	XXX
8. 2004	368,887	120,265	248,622	107,212	29,915	15,078	1,803	11,278	155	15,670	101,695	XXX
9. 2005	348,937	125,505	223,432	97,509	49,429	9,327	1,751	8,886	273	4,082	64,269	XXX
10. 2006	349,351	121,380	227,971	41,033	8,917	4,126	1,284	6,747	85	4,693	41,620	XXX
11. 2007	342,778	98,335	244,443	20,841	3,034	823	126	3,626	57	1,101	22,073	XXX
12. Totals	XXX	XXX	XXX	1,251,780	659,446	159,259	62,449	89,510	7,554	101,387	771,100	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1.	29,812	13,854	26,860	12,902	7,011	766	2,047	930	581	3	0	37,856	XXX
2.	2,723	1,601	2,543	1,660	512	52	295	210	343	0	10	2,893	XXX
3.	1,803	17	7,108	4,790	1,143	112	870	645	465	76	55	5,749	XXX
4.	2,963	1,415	6,075	2,253	1,383	741	1,037	583	271	0	368	6,737	XXX
5.	4,515	2,783	7,056	4,203	1,875	1,275	988	548	252	0	164	5,877	XXX
6.	10,841	7,179	10,229	980	2,003	984	995	731	321	0	710	14,515	XXX
7.	17,590	9,363	14,056	5,610	2,293	516	2,096	1,181	567	14	1,474	19,918	XXX
8.	11,672	2,197	29,247	12,565	2,792	665	4,710	2,501	885	18	3,770	31,360	XXX
9.	35,404	10,884	46,768	24,897	4,950	1,342	7,426	3,773	1,928	112	5,745	55,468	XXX
10.	30,342	7,943	61,526	34,144	3,895	840	12,300	5,789	2,958	180	8,125	62,125	XXX
11.	42,591	8,191	93,381	44,347	3,336	623	10,310	4,896	7,246	208	16,882	98,599	XXX
12. Totals	190,256	65,427	304,849	148,351	31,193	7,916	43,074	21,787	15,817	611	37,303	341,097	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	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	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	29,916	7,940
2.	80,368	39,860	40,508	37.9	36.6	39.3	0	0		2,005	888
3.	205,348	127,860	77,488	85.1	126.3	55.3	0	0		4,104	1,645
4.	264,563	156,961	107,602	86.0	118.0	61.6	0	0		5,370	1,367
5.	212,618	96,859	115,759	58.0	59.3	56.9	0	0		4,585	1,292
6.	290,204	164,668	125,536	71.5	90.4	56.1	0	0		12,911	1,604
7.	218,693	91,648	127,045	55.7	64.7	50.7	0	0		16,673	3,245
8.	182,874	49,819	133,055	49.6	41.4	53.5	0	0		26,157	5,203
9.	212,198	92,461	119,737	60.8	73.7	53.6	0	0		46,391	9,077
10.	162,927	59,182	103,745	46.6	48.8	45.5	0	0		49,781	12,344
11.	182,154	61,482	120,672	53.1	62.5	49.4	0	0		83,434	15,165
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	281,327	59,770

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 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007	11 One Year	12 Two Year
1. Prior	115,089	109,698	94,586	86,043	83,136	71,760	75,318	78,902	79,634	89,324	9,690	10,422
2. 1998	41,187	41,004	47,785	48,442	47,141	43,251	41,503	38,420	36,923	36,593	(330)	(1,827)
3. 1999	XXX	61,140	64,677	71,859	65,906	73,616	76,537	77,014	70,988	70,416	(572)	(6,598)
4. 2000	XXX	XXX	83,721	90,940	88,177	102,010	101,621	99,535	97,828	98,350	522	(1,185)
5. 2001	XXX	XXX	XXX	101,261	119,052	102,621	105,930	109,054	105,959	104,942	(1,017)	(4,112)
6. 2002	XXX	XXX	XXX	XXX	115,766	122,285	116,700	116,390	117,406	114,380	(3,026)	(2,010)
7. 2003	XXX	XXX	XXX	XXX	XXX	144,650	135,722	126,572	117,839	115,226	(2,613)	(11,346)
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	131,315	125,898	132,475	121,065	(11,410)	(4,833)
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	119,077	123,987	109,308	(14,679)	(9,769)
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	102,326	94,305	(8,021)	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	110,065	XXX	XXX
										12. Totals	(31,456)	(31,258)

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 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	15,634	23,677	30,234	35,540	37,276	43,289	44,941	48,939	52,046	XXX	XXX
2. 1998	7,114	15,309	21,102	27,896	30,942	31,734	33,684	33,795	33,935	34,043	XXX	XXX
3. 1999	XXX	13,387	31,561	44,222	53,389	57,096	61,408	63,380	63,676	65,056	XXX	XXX
4. 2000	XXX	XXX	23,917	53,530	73,352	80,238	86,300	89,100	89,983	91,884	XXX	XXX
5. 2001	XXX	XXX	XXX	26,802	51,611	67,943	82,182	90,132	93,609	99,317	XXX	XXX
6. 2002	XXX	XXX	XXX	XXX	25,234	44,116	70,923	86,285	94,924	100,186	XXX	XXX
7. 2003	XXX	XXX	XXX	XXX	XXX	28,125	54,984	76,073	87,446	95,861	XXX	XXX
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	20,818	51,319	73,316	90,572	XXX	XXX
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	18,913	41,256	55,656	XXX	XXX
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,978	34,958	XXX	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	18,504	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 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007
1. Prior	84,882	74,167	54,719	38,851	32,011	17,977	18,180	19,237	19,202	15,075
2. 1998	22,013	12,786	17,186	16,100	14,897	8,825	6,479	3,972	2,305	968
3. 1999	XXX	39,240	19,501	18,428	3,372	9,834	9,139	11,315	4,215	2,543
4. 2000	XXX	XXX	42,604	19,141	2,410	10,981	10,332	6,474	5,136	4,276
5. 2001	XXX	XXX	XXX	54,876	48,673	18,548	12,413	11,145	6,507	3,293
6. 2002	XXX	XXX	XXX	XXX	60,502	46,070	25,100	18,425	15,631	9,513
7. 2003	XXX	XXX	XXX	XXX	XXX	77,376	40,869	28,521	14,985	9,361
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	58,967	38,493	32,781	18,891
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	57,285	45,722	25,524
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	53,190	33,893
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,448

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: 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	Yes	3,004,647	2,817,846	0	476,606	(556,002)	2,794,394	0	488
2. Alaska AK	Yes	725,583	667,704	0	160,344	81,058	775,940	0	
3. Arizona AZ	Yes	7,430,576	7,130,609	0	1,742,483	1,139,099	4,069,752	0	2,544
4. Arkansas AR	Yes	3,009,766	2,404,055	0	625,598	(1,048,957)	5,344,964	0	5,810
5. California CA	Yes	26,296,677	28,373,411	0	19,696,851	5,902,890	55,459,695	0	124,780
6. Colorado CO	Yes	2,900,988	3,239,456	0	494,042	(145,725)	2,158,146	0	13,873
7. Connecticut CT	Yes	2,965,405	3,287,669	0	440,430	(1,472,732)	5,858,432	0	15,532
8. Delaware DE	Yes	819,936	882,540	0	166,633	1,186,011	6,099,881	0	
9. District of Columbia DC	Yes	832,958	794,243	0	579,920	211,113	469,036	0	6,735
10. Florida FL	Yes	26,665,308	25,937,374	0	7,251,393	8,481,246	37,895,711	0	65,987
11. Georgia GA	Yes	6,405,021	6,873,377	0	(187,709)	23,509	9,323,891	0	19,162
12. Hawaii HI	Yes	16,087,503	15,699,098	0	2,296,948	3,786,588	5,739,127	0	
13. Idaho ID	Yes	719,993	740,628	0	9,308	(12,263)	762,369	0	
14. Illinois IL	Yes	10,277,434	10,852,647	0	3,521,903	(386,682)	37,333,544	0	30,067
15. Indiana IN	Yes	2,977,425	3,586,694	0	2,213,701	(786,693)	3,403,355	0	17,500
16. Iowa IA	Yes	1,126,576	1,147,549	0	100,000	(922,362)	956,886	0	486
17. Kansas KS	Yes	2,924,181	2,216,488	0	930,813	1,931,795	2,309,660	0	486
18. Kentucky KY	Yes	1,886,505	3,938,033	0	3,277,775	1,925,048	8,805,283	0	2,040
19. Louisiana LA	Yes	7,801,009	7,790,560	0	3,398,104	2,750,269	8,886,051	0	869
20. Maine ME	Yes	1,037,418	1,031,911	0	3,854	34,733	908,249	0	567
21. Maryland MD	Yes	4,756,557	4,583,170	0	237,893	511,696	3,443,357	0	1,473
22. Massachusetts MA	Yes	5,333,614	5,099,642	0	1,512,466	(6,016,952)	6,391,847	0	104,723
23. Michigan MI	Yes	6,923,750	6,475,887	0	335,392	(1,279,162)	6,856,632	0	61,395
24. Minnesota MN	Yes	4,177,995	3,841,198	0	751,749	1,053,712	5,800,189	0	(6,663)
25. Mississippi MS	Yes	2,973,591	3,113,328	0	1,404,025	(1,114,107)	4,356,864	0	
26. Missouri MO	Yes	5,190,390	5,328,115	0	3,849,323	1,122,217	6,320,049	0	3,067
27. Montana MT	Yes	540,311	784,005	0	45,753	(122,758)	764,549	0	
28. Nebraska NE	Yes	1,225,463	1,120,575	0	31,458	114,307	1,264,862	0	9,376
29. Nevada NV	Yes	1,887,847	2,808,055	0	4,590,673	(481,495)	3,373,825	0	16,070
30. New Hampshire NH	Yes	672,503	849,487	0	45,738	101,745	2,447,957	0	
31. New Jersey NJ	Yes	15,950,463	16,764,848	0	5,138,567	2,902,161	23,615,549	0	57,807
32. New Mexico NM	Yes	1,516,547	1,405,105	0	(12,268)	(517,200)	1,072,866	0	
33. New York NY	Yes	50,108,220	46,876,334	0	14,159,133	9,495,168	62,104,619	0	386,328
34. North Carolina NC	Yes	4,357,138	3,959,378	0	975,004	483,477	4,423,391	0	198
35. North Dakota ND	Yes	251,904	219,153	0	211,481	(373,783)	463,729	0	
36. Ohio OH	Yes	8,171,417	7,922,506	0	2,048,779	3,963,835	11,891,468	0	94,833
37. Oklahoma OK	Yes	3,461,700	3,072,837	0	2,350,186	(60,572)	3,116,136	0	
38. Oregon OR	Yes	1,825,927	1,964,562	0	901,472	2,149,297	5,089,260	0	
39. Pennsylvania PA	Yes	12,198,862	12,955,168	0	3,935,299	3,573,552	21,334,477	0	29,421
40. Rhode Island RI	Yes	983,623	964,332	0	19,218	(179,479)	1,165,219	0	1,620
41. South Carolina SC	Yes	2,562,348	2,347,308	0	590,372	(568,720)	2,247,925	0	1,185
42. South Dakota SD	Yes	282,170	258,791	0	219,303	1,027,994	1,453,036	0	
43. Tennessee TN	Yes	6,279,531	7,211,832	0	1,174,441	(789,290)	14,209,812	0	31,260
44. Texas TX	Yes	24,452,457	26,472,436	0	20,475,013	(124,045)	34,450,194	0	23,645
45. Utah UT	Yes	619,679	449,086	0	1,048,799	939,999	669,162	0	
46. Vermont VT	Yes	413,926	436,323	0	0	45,058	277,683	0	
47. Virginia VA	Yes	3,752,293	4,298,254	0	184,735	(189,216)	3,751,146	0	41,442
48. Washington WA	Yes	4,536,313	5,466,814	0	2,909,977	1,357,151	7,420,084	0	
49. West Virginia WV	Yes	1,496,603	1,535,813	0	430,772	189,517	929,063	0	1,134
50. Wisconsin WI	Yes	6,070,909	6,529,007	0	2,517,915	3,281,816	11,059,871	0	41,760
51. Wyoming WY	Yes	455,875	410,642	0	10,000	(14,456)	262,130	0	
52. American Samoa AS	No	0	0	0	0	0	0	0	
53. Guam GU	No	0	0	0	0	0	0	0	
54. Puerto Rico PR	Yes	1,181,049	1,085,448	0	67,512	133,263	449,109	0	
55. U.S. Virgin Islands VI	No	0	0	0	0	0	0	0	
56. Northern Mariana Islands MP	No	0	0	0	0	0	0	0	
57. Canada CN	No	0	0	0	0	0	0	0	
58. Aggregate other alien OT	XXX	15,991,556	15,518,608	0	2,467,819	2,625,866	8,874,307	0	0
59. Totals	(a) 52	326,497,440	331,539,939	0	121,826,996	45,362,539	460,704,733	0	1,207,000
DETAILS OF WRITE-INS									
5801. Federal Land and Waters	XXX	15,991,556	15,518,608	0	2,467,819	2,625,866	8,874,307	0	
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	15,991,556	15,518,608	0	2,467,819	2,625,866	8,874,307	0	0

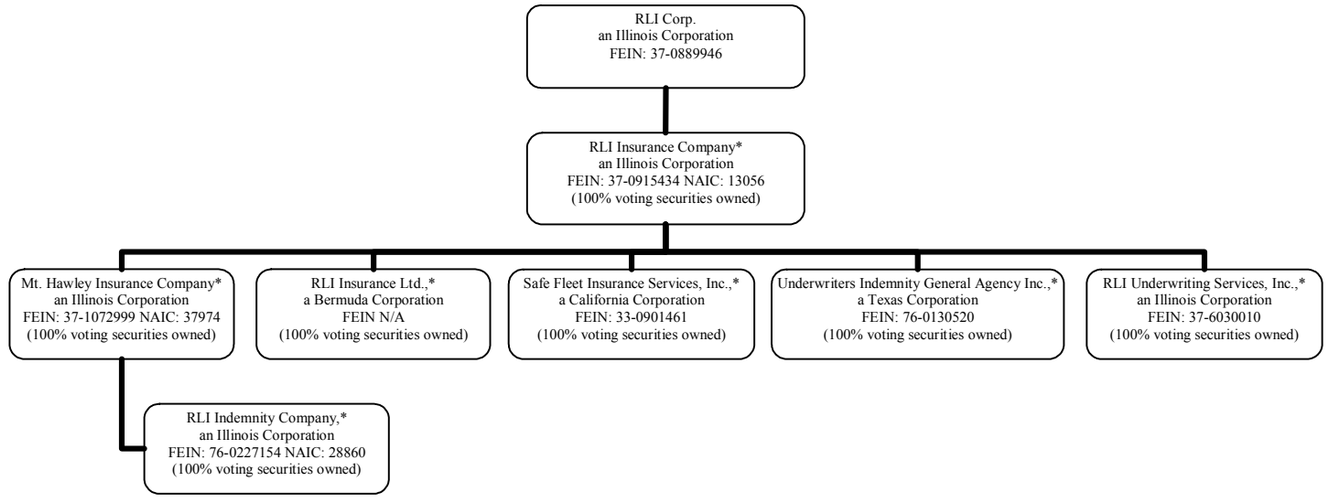
(a) Insert the number of yes responses except for Canada and Other Alien.

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

Other Liability and Products Liability - location of the insured; Directors & Officers (included in Other Liability) - location of the insured; Other Commercial Auto Liability - state of domicile; Commercial Auto - states where they are titled & licensed; Fidelity and Surety - state in which obligation exists; Ocean Marine - state where the company is headquartered, unless there is specific fixed property which is allocated to the state where the property is located; Fire, Allied Lines, Homeowners Multi-Peril, Commercial Multi-Peril, Inland Marine, Earthquake, Burglary & Theft, and Boiler & Machinery - state of the property locations; General Program (included in Other Liability and Fire), @Home Business (included in Other Liability), and Personal Umbrella (included in Other Liability) - location where the risk resides.

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

PART 1 - ORGANIZATIONAL CHART



*Financial Statements are fully consolidated with RLI Corp.

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(http://www.naic.org/committees_e_app_blanks.htm)

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