SAFETY INSURANCE GROUP INC
Form 10-K
March 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 000-50070

SAFETY INSURANCE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-4181699**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20 Custom House Street, Boston, Massachusetts 02110
(Address of principal executive offices including zip code)

(617) 951-0600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $0.01 par value per share	**NASDAQ Global Select Market**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

The aggregate market value of the registrant's voting and non-voting common equity (based on the closing sales price on NASDAQ) held by non-affiliates of the registrant as of June 30, 2008, was approximately $532,969,104.

As of March 10, 2009, there were 16,128,302 Common Shares with a par value of $0.01 per share outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for its Annual Meeting of Shareholders to be held on May 18, 2009, which Safety Insurance Group, Inc. (the "Company", "we", "our", "us") intends to file within 120 days after its December 31, 2008 year-end, are incorporated by reference into Part II and Part III hereof.

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In this Form 10-K, all dollar amounts are presented in thousands, except average premium, average claim and per claim data, share, and per share data.

PART I.

ITEM 1. BUSINESS

General

We are a leading provider of private passenger automobile insurance in Massachusetts. In addition to private passenger automobile insurance (which represented 71.7% of our direct written premiums in 2008), we offer a portfolio of property and casualty insurance products, including commercial automobile, homeowners, dwelling fire, umbrella and business owner policies. Operating exclusively in Massachusetts and New Hampshire through our insurance subsidiaries, Safety Insurance Company ("Safety Insurance"), Safety Indemnity Insurance Company ("Safety Indemnity") and Safety Property and Casualty Insurance Company ("Safety P&C") which was organized in December 2006 (together referred to as the "Insurance Subsidiaries"), we have established strong relationships with 827 independent insurance agents in 969 locations throughout Massachusetts. We have used these relationships and our extensive knowledge of the Massachusetts market to become the second largest private passenger automobile carrier, capturing an approximate 11.1% share of the Massachusetts private passenger automobile insurance market, and the third largest commercial automobile carrier, with an 11.7% share of the Massachusetts commercial automobile insurance market, in 2008 according to statistics compiled by Commonwealth Automobile Reinsurers ("CAR"). In addition, we were also ranked the 46^{th} largest automobile writer in the country according to A.M. Best, based on 2007 direct written premiums. We were incorporated under the laws of Delaware in 2001, but through our predecessors, we have underwritten insurance in Massachusetts since 1979.

We have maintained profitability in part by managing our cost structure through, for example, the use of technology. Our share of the Massachusetts private passenger automobile insurance market has grown from 10.6% in 2003 to 11.1% in 2008 and we have continued to expand our product offerings. Our direct written premiums have increased by 0.3% between 2003 and 2008, from $571,545 to $573,509. However, our direct written premiums decreased by 7.5% between 2007 and 2008. The decrease was largely as a result of rate decreases totaling 6.7% which we filed under the competitive pricing system introduced to the private passenger automobile market in Massachusetts beginning April 1, 2008. We offer additional discounts, such as when policyholders have maintained continuous coverage with us or buy other policies from us, among other things.

On June 20, 2007, we applied for admission in the State of New Hampshire for a Certificate of Authority to transact insurance business. On October 16, 2007, the State of New Hampshire Insurance Department issued a Certificate of Authority for property and casualty insurance to each of the Insurance Subsidiaries. We began writing business in New Hampshire late in 2008.

Website Access to Information

The Internet address for our website is *www.SafetyInsurance.com*. All of our press releases and United States Securities and Exchange Commission ("SEC") reports are available for viewing or download at our website. These documents are made available on our website as soon as reasonably practicable after each press release is made and SEC report is filed with, or furnished to, the SEC. Copies of any current public information about our company are available without charge upon written, telephone, faxed or e-mailed request to the Office of Investor Relations, Safety Insurance Group, Inc., 20 Custom House Street, Boston, MA 02110, Tel: 877-951-2522, Fax: 617-603-4837, or e-mail: *InvestorRelations@SafetyInsurance.com*. The materials on our website are not part of this report on Form 10-K nor are they incorporated by reference into this report and the URL above is intended to be an inactive textual reference only.

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Our Competitive Strengths

We Have Strong Relationships with Independent Agents. In 2007, independent agents accounted for approximately 78.8% of the Massachusetts automobile insurance market measured by direct written premiums as compared to only about 40.1% nationwide, according to A.M. Best. For that reason, our strategy is centered around, and we sell exclusively through, a network of 827 independent agents (of which 25 are Exclusive Representative Producers ["ERPs"] assigned to us under regulations that will be phased out April 1, 2009, as discussed below) in 969 locations throughout Massachusetts. In order to support our independent agents and enhance our relationships with them, we:

- Provide our agents with a portfolio of property and casualty insurance products at competitive prices to help our agents address effectively the insurance needs of their clients;
- Provide our agents with a variety of technological resources which enable us to deliver superior service and support to them; and
- Offer our agents competitive commission schedules and profit sharing programs.

Through these measures, we strive to become the preferred provider of the independent agents in our agency network and capture a growing share of the total insurance business written by these agents in Massachusetts. We must compete with other insurance carriers for the business of independent agents.

We Have an Uninterrupted Record of Profitable Operations. In every year since our inception in 1979, we have been profitable. We have achieved our profitability, among other things:

- Increasing by 3.8% the number of private passenger automobile exposures we underwrite from 443,504 in 2003 to 460,314 in 2008;
- Maintaining a statutory combined ratio that is typically below industry averages (refer to *Insurance Ratios* under Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources for a discussion on statutory insurance ratios);
- Taking advantage of the institutional knowledge our management has amassed during our long operating history in the unique Massachusetts market;
- Introducing new lines and forms of insurance products;
- Investing in technology to simplify internal processes and enhance our relationships with our agents; and
- Maintaining a high-quality investment portfolio.

We Are a Technological Leader. We have dedicated significant human and financial resources to the development of advanced information systems. Our technology efforts have benefited us in two distinct ways. First, we continue to develop technology that empowers our independent agent customers to make it easier for them to transact business with their clients and with the Insurance Subsidiaries. In our largest business line, private passenger automobile insurance, our agents now submit approximately 99% of all applications for new policies or endorsements for existing policies to us electronically through our proprietary information portal, the Agents Virtual Community ("AVC"). In addition our agents can now submit commercial automobile and homeowners insurance policies electronically over AVC. Second, our investment in technology has allowed us to re-engineer internal back office processes to provide more efficient service at lower cost.

We Have an Experienced, Committed and Knowledgeable Management Team. Our senior management team owns approximately 7% of the common stock of Safety Insurance Group, Inc. on a

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fully diluted basis. Our senior management team, led by our President, Chief Executive Officer and Chairman of the Board, David F. Brussard, has an average of over 29 years of industry experience per executive, as well as an average of over 27 years of experience with Safety. The team has demonstrated an ability to operate successfully within the regulated Massachusetts private passenger automobile insurance market.

Our Strategy

To achieve our goal of increasing shareholder value, our strategy is to maintain and develop strong independent agent relationships by providing our agents with a full package of insurance products and information technology services. We believe this strategy will allow us to:

- Further penetrate the Massachusetts private passenger, commercial automobile and homeowners insurance markets;

- Implement rates, forms and billing options that allow us to cross-sell homeowners, dwelling fire, personal umbrella in the personal lines market and business owner policies, commercial property package and commercial umbrella in the commercial lines market in order to capture a larger share of the total Massachusetts property and casualty insurance business written by each of our independent agents; and

- Continue to expand our technology to enable independent agents to more easily serve their customers and conduct business with us, thereby strengthening their relationships with us.

The Massachusetts Property and Casualty Insurance Market

Introduction. We are licensed by the Commissioner to transact property and casualty insurance in Massachusetts. All of our business is extensively regulated by the Commissioner.

The Massachusetts Market for Private Passenger Automobile Insurance. Private passenger automobile insurance has been heavily regulated in Massachusetts. In many respects, the private passenger automobile insurance market in Massachusetts prior to 2008 has been unique, in comparison to other states. This is due to a number of factors, including unusual regulatory conditions, the market dominance of domestic companies, the relative absence of large national companies, and the heavy reliance on independent insurance agents as the market's principal distribution channel. For many insurance companies, these factors have presented substantial challenges, but we believe they provided us a competitive advantage, because, as our financial history shows, we have a thorough understanding of this market.

Changes to the Regulation of Private Passenger Automobile Insurance in Massachusetts. Since 1977 the Commissioner fixed and established the premium rates that all insurers must use in the Massachusetts private passenger automobile insurance market. Since 1982, CAR has managed the residual market for private passenger automobile insurance using a reinsurance mechanism. On July 16, 2007, the Commissioner issued two decisions that significantly changed these two long standing approaches to how private passenger automobile insurance is regulated in Massachusetts. In the first decision, the Commissioner announced that she would not fix and establish the maximum premium rates that can be charged for private passenger automobile insurance policies issued or renewed after April 1, 2008. In a letter accompanying the decision, the Commissioner stated that in place of the "fixed and established" system, she would permit companies to file their own premium rates for approval by the Commissioner, under a system that the Commissioner has characterized as "managed competition" ("Managed Competition").

The Commissioner has taken additional steps to implement this decision. First, with respect to allowing competitive pricing, the Commissioner promulgated new regulations setting the terms and conditions that insurers must comply with in establishing their rates to be effective April 1, 2008. The

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regulation contains a list of prohibited factors, including a prohibition of the use of credit information in rating or underwriting. The Commissioner also issued a number of bulletins providing guidance on various issues, including regulatory review standards, discounts, product form, endorsement, and new business application standards and classification plan requirements. Pursuant to this authority, we filed for various rate changes for policies issued and renewed on or after April 1, 2008.

In the second decision, the Commissioner approved and set a time table for the implementation of new CAR rules pursuant to which the current reinsurance program run by CAR will be replaced with an assigned risk plan known as the Massachusetts Automobile Insurance Plan ("MAIP"). Under these new rules, insurance applicants who are not able to obtain coverage from an insurance company are assigned to insurers by CAR, based on each insurer's pro-rata market share. The MAIP transition began on April 1, 2008 for certain new business written, and becomes fully implemented on April 1, 2009. We will no longer be assigned ERPs whose business we must insure (subject to the option of ceding it to CAR). The last policy effective date on which any private passenger risk can be ceded to CAR in accordance with the current reinsurance program is March 31, 2009. Under MAIP, policies will be assigned to us for three years, unless the policyholder is offered a voluntary policy by another insurer.

These decisions remove many of the factors that have historically distinguished the Massachusetts private passenger automobile insurance market from that market in other states such as the use of a standard policy form, the use of a single safe driver insurance plan, and the role of ERPs and CAR.

However, certain of the historically unique factors related to the Massachusetts private passenger automobile insurance market have not been eliminated, including compulsory insurance, affinity group marketing, and the prominence of independent agents.

Products

Historically, we have focused on underwriting private passenger automobile insurance, which is written through our subsidiary, Safety Insurance. In 1989, we formed Safety Indemnity to offer commercial automobile insurance at preferred rates. Since 1997, we have expanded the breadth of our product line in order for agents to address a greater portion of their clients' insurance needs by selling multiple products. Homeowners, business owners policies, personal umbrella, dwelling fire and commercial umbrella insurance are written by Safety Insurance at standard rates, and written by Safety Indemnity at preferred rates. In December 2006, we formed Safety P&C to offer homeowners and commercial automobile insurance at ultra preferred rates. The table below shows our premiums in each of these product lines for the periods indicated and the portions of our total premiums each product line represented.

	Years Ended December 31,					
Direct Written Premiums	**2008**		**2007**		**2006**	
Private passenger automobile	**$ 410,937**	**71.7%**	$ 462,453	74.6%	$ 478,175	76.0%
Commercial automobile	**75,808**	**13.2**	82,242	13.3	88,174	14.0
Homeowners	**66,770**	**11.6**	57,515	9.3	49,644	7.9
Business owners policies	**13,742**	**2.4**	12,481	2.0	9,204	1.5
Personal umbrella	**2,663**	**0.5**	2,158	0.3	1,811	0.3
Dwelling fire	**2,900**	**0.5**	2,341	0.4	1,971	0.3
Commercial umbrella	**689**	**0.1**	658	0.1	532	
Total	**$ 573,509**	**100.0%**	$ 619,848	100.0%	$ 629,511	100.0%

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Our product lines are as follows:

Private Passenger Automobile (71.7% of 2008 direct written premiums). Private passenger automobile insurance is our primary product, and we support all Massachusetts policy forms and limits of coverage. Private passenger automobile policies provide coverage for bodily injury and property damage to others, no-fault personal injury coverage for the insured/insured's car occupants, and physical damage coverage for an insured's own vehicle for collision or other perils. We have priced our private passenger coverage competitively by offering group discounts since 1995 and we currently offer approximately 190 affinity group discount programs ranging from 3% to 8% discounts. Under Massachusetts' Managed Competition regulations, we decreased our rates an average 6.7% effective in 2008. We also offered, effective April 1, 2008, various new discounts including a discount of 10% when a private passenger policy is issued along with a non private passenger policy with us, a longevity/renewal credit of up to 8% for policyholders who maintain continuous coverage with us, and a 7% e-Customer discount for policyholders who want electronic policy issuance with one combined bill with their other policies. We will begin using three rating tiers effective April 1, 2009. A Companion Policy Client Tier, which is policyholders that have a non private passenger automobile policy with us, will receive a rate decrease of 2.5%. A Loyal Automobile Client Tier, which is policyholders who have been insured with Safety two or more years, will see no rate change. A New Insurance Client Tier, which is policyholders that don't qualify for the other two tiers, will have a rate increase of 2.5%.

Commercial Automobile (13.2% of 2008 direct written premiums). Our commercial automobile program supports all Massachusetts policy forms and limits of coverage including endorsements that broaden coverage over and above that offered on the standard Massachusetts policy forms. Commercial automobile policies provide coverage for bodily injury and property damage to others, no-fault personal injury coverage, and physical damage coverage for an insured's own vehicle for collision or other perils resulting from the ownership or use of commercial vehicles in a business. We offer insurance for commercial vehicles used for business purposes such as private passenger-type vehicles, trucks, tractors and trailers, and insure individual vehicles as well as commercial fleets. Commercial automobile policies are written at a standard rate through Safety Insurance. We did not file for rate changes during 2006, 2007 or 2008. Qualifying risks eligible for preferred rates are written through Safety Indemnity which uses rates that are 20% lower than Safety Insurance. Effective December 1, 2007, qualifying risks eligible for ultra preferred rates are written through Safety P&C which uses rates that are 35% lower than Safety Insurance.

Homeowners (11.6% of 2008 direct written premiums). We offer a broad selection of coverage forms for qualified policyholders. Homeowners policies provide coverage for losses to a dwelling and its contents from numerous perils, and coverage for liability to others arising from ownership or occupancy. We write policies on homes, condominiums, and apartments. We offer loss-free credits of up to 16% for eight years of loss free experience, an account credit of up to 20% when a home is written together with an automobile, and a 7% e-Customer discount for policyholders who want electronic policy issuance with one combined bill with their other policies. All forms of homeowners coverage are written at a standard rate through Safety Insurance. We received approval for a rate increase of 1.6% effective May 1, 2008. Qualifying risks eligible for preferred rates are written through Safety Indemnity which uses rates that are 13% lower than Safety Insurance. Effective September 1, 2007, qualifying risks eligible for ultra preferred rates are written through Safety P&C which uses rates that are 22% lower than Safety Insurance.

Business Owners Policies (2.4% of 2008 direct written premiums). We serve eligible small and medium sized commercial accounts with a program that covers apartments and residential condominiums; mercantile establishments, including limited cooking restaurants; offices, including office condominiums; processing and services businesses; special trade contractors; and wholesaling businesses. Business owner policies provide liability and property coverage for many perils, including business interruption from a covered loss. Equipment breakdown coverage is automatically included, and a wide range of additional coverage is available to qualified customers. We write policies for business owners at standard rates with qualifying risks eligible for preferred lower rates.

Commercial Package Policies (Included in our Business Owners Policies direct written premiums). For larger commercial accounts, or those clients that require more specialized or tailored coverages, we offer a commercial package policy program that covers a more extensive range of business enterprises. Commercial package policies provide any combination of property, general liability, crime and inland marine insurance. Property automatically includes equipment breakdown coverage, and a wide range of additional coverage is available to qualified customers. We write commercial package policies at standard rates with qualifying risks eligible for preferred lower rates.

Personal Umbrella (0.5% of 2008 direct written premiums). We offer personal excess liability coverage over and above the limits of individual automobile, watercraft, and homeowner's insurance policies to clients. We offer a discount (account credit) of 10% when an umbrella policy is written together with an automobile insurance policy. We write policies at standard rates with limits of $1,000 to $5,000.

Dwelling Fire (0.5% of 2008 direct written premiums). We underwrite dwelling fire insurance, which is a limited form of a homeowner's policy for non-owner occupied residences. We offer superior construction and protective device credits, with a discount (account credit) of 5% when a dwelling fire policy is issued along with an automobile policy. We write all forms of dwelling fire coverage at standard rates with qualifying risks eligible for preferred lower rates.

Commercial Umbrella (0.1% of 2008 direct written premiums). We offer an excess liability product to clients for whom we underwrite both commercial automobile and business owner policies. The program is directed at commercial automobile risks with private passenger-type automobiles or light and medium trucks. We write commercial umbrella policies at standard rates with limits ranging from $1,000 to $5,000.

Inland Marine (Included in our Homeowners direct written premiums). We offer inland marine coverage as an endorsement for all homeowners and business owner policies, and as part of our commercial package policy. Inland marine provides additional coverage for jewelry, fine arts and other items that a homeowners or business owner policy would limit or not cover. Scheduled items valued at more than $5 must meet our underwriting guidelines and be appraised.

Watercraft (Included in our Homeowners direct written premiums). We offer watercraft coverage for small and medium sized pleasure craft with maximum lengths of 32 feet, valued at less than $75 and maximum speed of 39 knots. We write this coverage as an endorsement to our homeowner's policies.

In the wake of the September 11, 2001 tragedies, the insurance industry is also impacted by terrorism, and we have filed and received approval for a number of terrorism endorsements from the Commissioner, which limit our liability and property exposure according to the Terrorism Risk Insurance Act of 2002, the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Act of 2007. See "Reinsurance," discussed below.

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Distribution

We distribute our products exclusively through independent agents, unlike some of our competitors, which use multiple distribution channels. We believe this gives us a competitive advantage with the agents. With the exception of our ERPs, we do not accept business from insurance brokers. Our voluntary agents have authority pursuant to our voluntary agency agreement to bind our Insurance Subsidiaries for any coverage that is within the scope of their authority. We reserve the ability under Massachusetts law to cancel any coverage, other than private passenger automobile insurance, within the first 30 days after it is bound. In total, our 827 independent agents (including our ERPs) have 969 offices (some agencies have more than one office) and approximately 5,299 customer service representatives.

Voluntary Agents. In 2008, we obtained approximately 83% of our direct written premiums for automobile insurance and 100% of our direct written premiums for all of our other lines of business through our voluntary agents. As of February 10, 2009, we had agreements with 572 voluntary agents. Our voluntary agents are located in all regions of Massachusetts.

We look for agents with profitable portfolios of business. To become a voluntary agent for our Company, we generally require that an agency: (i) have been in business for at least five years; (ii) have exhibited a three year private passenger average ratio of losses, excluding loss adjustment expenses, to net earned premiums ("pure loss ratio") of 64.0% or less on the portion of the agent's portfolio that we would underwrite; (iii) make a commitment for us to underwrite at least 300 policies from the agency during the first twelve months after entering an agreement with us; and (iv) offer multiple product lines. Every year, we review the performance of our agents during the prior year. If an agent fails to meet our profitability standards, we try to work with the agent to improve the profitability of the business it places with us. We generally terminate contracts each year with a few agencies, which, despite our efforts, have been consistently unable to meet our standards. Although independent agents usually represent several unrelated insurers, our goal is to be one of the top two insurance companies represented in each of our agencies, as measured by premiums. No individual agency generated more than 3.5% of our direct written premiums in 2008.

Exclusive Representative Producers. In 2008, our ERPs generated approximately 17% of our direct written premiums for automobile insurance. As of December 31, 2008, we had 25 private passenger automobile ERPs. CAR defines ERPs as licensed dwelling fire or casualty insurance agents or brokers who have a place of business in Massachusetts, but have no existing voluntary independent agency relationship with an automobile insurer conducting business in Massachusetts.

Massachusetts law guarantees that CAR provides motor vehicle insurance coverage to all qualified applicants. To facilitate this system, under CAR's prior rules, any qualified licensed insurance producer that is unable to obtain a voluntary automobile relationship with an insurer becomes an ERP and is assigned to an insurer, which is then required to write that agent's policies. As noted, the MAIP began April 1, 2008 and is scheduled to be fully implemented by April 1, 2009. Beginning April 1, 2008 all Massachusetts agents (including ERPs) were authorized to submit eligible business to the MAIP for random assignment to a servicing carrier such as Safety Insurance. We began receiving individual policies assigned to us from the MAIP on April 1, 2008. As a result of CAR's new rules, effective April 1, 2009 ERPs will no longer be assigned to us or any Massachusetts personal automobile insurer, and we will instead be allocated all residual market business through the MAIP.

CAR has a Limited Servicing Carrier Program (the "LSC program") for ceded commercial automobile policies. CAR approved Safety Insurance and five other servicing carriers through a Request for Proposal to process approximately $166,000 of CAR ceded premium which will be spread equitably among the six servicing carriers. CAR has assigned 353 voluntary agents (many of which are already voluntary agents of Safety) and 103 ERPs to Safety Insurance for the LSC program. In addition during 2007, CAR requested bids for the ceded taxi/limousine/car service commercial automobile

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business pool. Safety Insurance bid through a Request for Proposal to process approximately $16,000 of ceded taxi/limousine/car service commercial automobile business based on CAR data as of December 31, 2006, and was approved effective January 1, 2008 to be one of two servicing carriers for this business, which will be spread equitably among the two servicing carriers.

The table below shows our direct written exposures in each of our product lines for the periods indicated and the change in exposures for each product line.

	For the Years Ended December 31,					
	2008		2007		2006	
Line of Business	**Exposures**	**Change**	**Exposures**	**Change**	**Exposures**	**Change**
Private passenger automobile:						
Voluntary agents	**395,989**	**1.2%**	391,255	6.8%	366,220	3.7%
ERPs	**55,342**	**-35.9**	86,312	-13.0	99,196	-15.3
MAIP	**8,983**					
Total private passenger automobile	**460,314**	**-3.6**	477,567	2.6	465,416	-1.0
Commercial automobile:						
Voluntary agents	**44,692**	**-6.0**	47,537	-1.2	48,117	3.7
ERPs	**5,474**	**-10.8**	6,134	-7.3	6,619	180.5
Total commercial automobile	**50,166**	**-6.5**	53,671	-1.9	54,736	12.3
Other:						
Homeowners	**79,359**	**14.0**	69,635	8.8	64,020	-0.3
Business owners	**6,654**	**25.9**	5,285	9.2	4,838	22.5
Personal umbrella	**10,528**	**20.5**	8,735	13.4	7,705	2.9
Dwelling fire	**2,908**	**20.0**	2,424	11.6	2,173	-3.2
Commercial umbrella	**459**	**12.0**	410	31.8	311	25.9
Total other	**99,908**	**15.5**	86,489	9.4	79,047	1.2
Total	**610,388**	**-1.2**	617,727	3.1	599,199	0.4
Total voluntary agents	**549,572**	**4.6**	525,281	6.5	493,384	3.3
Total ERPs	**60,816**	**-34.2%**	92,446	-12.6%	105,815	-11.4%

Our total written exposures decreased by 1.2% for the year ended December 31, 2008. The decrease was primarily the result of our voluntary agent written exposures increasing by 4.6% and our ERP written exposures decreasing by 34.2%. Our private passenger automobile exposures decreased by 3.6% in 2008 primarily as a result of the decrease of our ERP written exposures due to the transition to MAIP effective April 1, 2008 as discussed above. The 2007 decrease in our ERP written exposures was due to a CAR ERP redistribution which began in 2006 and our offering of voluntary agency contracts to some of our ERPs. Our commercial automobile exposures decreased by 6.5% in 2008 primarily as a result of reduced exposures from ERPs submitting business through the CAR LSC program. Our other than auto exposures increased by 15.5% in 2008 primarily as a result of our voluntary agents' efforts to sell multiple products to their clients.

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Marketing

We view the independent agent as our customer and business partner. As a result, a component of our marketing efforts focuses on developing interdependent relationships with leading Massachusetts agents that write profitable business and positioning ourselves as the preferred insurance carrier of those agents, thereby receiving a larger portion of each agent's aggregate business. Our principal marketing strategies to agents are:

- To offer a range of products, which we believe enables our agents to meet the insurance needs of their clients, and overcomes the agent's resistance to placing their clients' automobile, homeowners and other coverages with different insurers;

- To price our products competitively, including offering discounts when and where appropriate for safer drivers and for affinity groups for our personal automobile products, loss free credits for our homeowner products and also offering account discounts for policyholders that have more than one policy with us;

- Our products are designed, priced and marketed to our agents for their customers to place all their insurance with us;

- To offer agents competitive commissions, with incentives for placing their more profitable business with us; and

- To provide a level of support and service that enhances the agent's ability to do business with its clients and with us.

Beginning in 2007, we started a comprehensive branding campaign using a variety of radio, television, internet and print advertisements.

Commission Schedule and Profit Sharing Plan. We have several programs designed to attract profitable new business from agents by paying them more than the minimum commission the law requires for private passenger auto (which is 13.0% of premiums for 2008 and 2009). We recognize our top performing agents by making them members of either our Chairman's Elite, Chairman's, President's, Executive's or Preferred Agent's Club. In 2008, members of these Clubs received a commission of up to 20.0% of premiums for each new private passenger auto policy and up to 29.0% of premiums for each new homeowner policy.

Further, we have a competitive agency incentive commission program under which we pay agents up to 8.0% of premiums based on the loss ratio on their business.

We have received no inquiries from the Commissioner relative to how we conduct our contingent commissions and profit sharing programs. The Massachusetts Attorney General did question the inclusion of contingent commission expenses in her appeal of our April 1, 2008 private passenger rate filing. The Commissioner ruled on January 25, 2008 that the inclusion of expenses attributable to contingent commissions was reasonable and not prohibited by Massachusetts law.

Service and Support. We believe that the level and quality of service and support we provide helps differentiate us from other insurers. We have made a significant investment in information technology designed to facilitate our agents' business. Our AVC website helps agents manage their work efficiently. We provide a substantial amount of information online that agents need to serve their customers, such as information about the status of new policies, bill payments and claims. Providing this type of content reduces the number of customer calls we receive and empowers the agent's customer service representatives by enabling them to respond to customers' inquiries while the customer is on the telephone. Finally, we believe that the knowledge and experience of our employees enhance the quality of support we provide.

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Underwriting

Our underwriting department is responsible for a number of key decisions affecting the profitability of our business, including:

- Pricing of our private passenger automobile product as of April 1, 2008;
- Pricing of our commercial automobile, homeowners, dwelling fire, personal umbrella, business owners policies, commercial umbrella and commercial package products;
- Determining underwriting guidelines for all our products;
- Determining which policies to cede to CAR's reinsurance pool and which to retain; and
- Evaluating whether to accept transfers of a portion of an existing or potential new agent's portfolio from another insurer.

We are organized into three underwriting units, a separate unit for private passenger automobile, a separate unit for all other personal lines underwriting including homeowners, dwelling fire, personal umbrella and inland marine coverages, and a separate unit for commercial lines, including commercial auto, business owners policies, commercial umbrella and commercial package policies.

Pricing. Prior to April 1, 2008 our pricing strategy for private passenger automobile insurance primarily depended on the maximum permitted premium rates and minimum permitted commission levels mandated by the Commissioner. Beginning April 1, 2008 subject to the Commissioner's review we set rates for our private passenger business using industry loss cost data, our own loss experience, residual market deficits, catastrophe modeling and prices charged by our competitors in the Massachusetts market. Beginning April 1, 2008 subject to Commissioner review, CAR sets the premium rates for personal automobile policies reinsured through CAR and policies assigned to carriers by the MAIP. However companies may only charge the insured the lower of the CAR/MAIP rate or the company's competitive voluntary market rate. Safety Insurance's approved rate is lower than the CAR/MAIP rate and all policies we reinsure with CAR after April 1, 2008 or are assigned by the MAIP after April 1, 2008 will be written at our approved rate. We have filed and been approved for modifications in our rates effective April 1, 2009 that are expected to result in no change in our average total rates. We will also begin using three rating tiers effective April 1, 2009. A Companion Policy Client Tier, which is policyholders that have a non private passenger automobile policy with us will receive a rate decrease of 2.5%. A Loyal Automobile Client Tier, which is policyholders who have been insured with Safety two or more years will have no rate change. A New Insurance Client Tier, which is policyholders that don't qualify for the other two tiers will have a rate increase of 2.5%.

We offer group discounts to members of 190 affinity groups. In general, we target affinity groups with a mature and stable membership base along with favorable driving records, offering between a 3% and 8% discount (with 4% being the average discount offered). Approximately 9.0% of the private passenger policies we issue receive an affinity group discount.

Subject to the Commissioner's review, CAR sets the premium rates for commercial automobile policies reinsured through CAR. Subject to the Commissioner's review, we set rates for commercial automobile policies that are not reinsured through CAR, and for all other insurance lines we offer, including homeowners, dwelling fire, personal umbrella, commercial umbrella, commercial package policies and business owner policies. We base our rates on industry loss cost data, our own loss experience, residual market deficits, catastrophe modeling and prices charged by our competitors in the Massachusetts market. We have three pricing tiers for most products, utilizing Safety Insurance for standard rates, Safety Indemnity for preferred rates and Safety P&C for ultra preferred rates. We received approval for a rate increase of 2.1% for our Safety Insurance commercial automobile line effective December 16, 2004, and did not file for a rate change during 2005, 2006, 2007 or 2008. We received approval for a rate deviation for Safety P&C commercial automobile of 35% below our

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comparable Safety Insurance rate. We received approval for a rate increase of 1.6% for our homeowners line effective May 1, 2007.

Cede/Retain Decisions. Until April 1, 2009 under CAR's current rules for private passenger policies, we must decide, within 23 days after the effective date of renewing an existing policy, whether to cede it to CAR's reinsurance pool (effective April 1, 2008, new policies may not be ceded to CAR). Each Massachusetts private passenger automobile insurer must bear a portion of the losses of the private passenger reinsurance pool. Under CAR's current rules, we are able to reduce our total allocated share of the losses of the reinsurance pool by ceding less business to the pool than our proportionate share. As a result, in determining whether to cede an underpriced policy to CAR's private passenger automobile reinsurance pool, we attempt to evaluate whether we are likely to incur greater total losses by ceding it to the pool or by retaining it. According to the January 29, 2009 CAR Cession Volume Analysis Private Passenger Report, as of November 30, 2008, we have ceded 3.1% of our private passenger automobile business to the pool in 2008, compared to an average of 3.0% for the industry. Our goal is to cede only those policies that incur fewer total losses resulting from a cession to CAR than the total losses incurred by retaining the policy.

CAR runs a reinsurance pool for commercial automobile policies and beginning January 1, 2006, we are one of six servicing carriers that can service commercial automobile policies for CAR. CAR also runs a reinsurance pool for taxi/limousine/car service commercial automobile policies and beginning January 1, 2008 we are one of two servicing carriers that can service these policies for CAR. All commercial automobile business that is not written in the voluntary market is apportioned to one of the six servicing carriers who handle the business on behalf of CAR or to one of the two servicing carriers who handle the business on behalf of CAR for taxi/limousine/car service business. Each Massachusetts commercial automobile insurer must bear a portion of the losses of the total commercial reinsurance pool that is serviced by the approved servicing carriers.

Bulk Policy Transfers and New Voluntary Agents. From time to time, we receive proposals from existing voluntary agents to transfer a portfolio of the agent's business from another insurer to us. Our underwriters model the profitability of these portfolios before we accept these transfers. Among other things, we usually require that the private passenger portion of the portfolio have a pure loss ratio of 64.0% or less on the portion of the agent's portfolio that we would underwrite. In addition, we require any new voluntary agent to commit to transfer a portfolio to us consisting of at least 300 policies.

Policy Processing and Rate Pursuit. Our underwriting department assists in processing policy applications, endorsements, renewals and cancellations. For many years, we have used and implemented proprietary software that enables agents to connect to our network and enter policy and endorsement applications for private passenger automobile insurance from their office computers. In our private passenger automobile insurance line, our agents now submit approximately 99% of all applications for new policies or endorsements for existing policies through our proprietary information portal, the AVC. During 2007, we introduced propriety software for our commercial automobile and homeowners insurance lines of business that offers the same functionality that we provide in our personal automobile software.

Our rate pursuit team aggressively monitors all insurance transactions to make sure we receive the correct premium for the risk insured. We accomplish this by verifying Massachusetts pricing criteria, such as proper classification of drivers, the make, model and age of insured vehicles and the availability of discounts. We verify that operators are properly listed and classified, assignment of operators to vehicles, vehicle garaging, vehicle pre-inspection requirements and in some cases the validity of discounts. In our homeowners and dwelling fire lines, our team has completed a project to update the replacement costs for each dwelling. We use third-party software to assist in these appraisal efforts.

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Technology

The focuses of our information technology effort are:

- to constantly reengineer internal processes to allow more efficient operations, resulting in lower operating costs;
- to make it easier for independent agents to transact business with us; and
- to enable agents to efficiently provide their clients with a high level of service.

We believe that our technology initiatives have increased revenue and decreased costs. For example, these initiatives have allowed us to reduce the number of call-center transactions which we perform, and to transfer many manual processing functions from our internal operations to our independent agents. We also believe that these initiatives have contributed to our overall increases in productivity. In 1990, we had 399 employees and $154,997 in direct written premiums. As of December 31, 2008, we had 599 employees and $573,509 in direct written premiums, which represents an increase from $388 direct written premiums per employee in 1990 to $957 direct written premiums per employee in 2008.

Internal Applications (Intranet)

Our employees access our proprietary applications through our corporate intranet. Our intranet applications streamline internal processes and improve overall operational efficiencies in areas including:

Claims. Our claims workload management application allows our claims and subrogation adjusters to better manage injury claims. Subrogation refers to the process by which we are reimbursed by other insurers for claims costs we incur due to the fault of their insureds. The use of this application has reduced the time it takes for us to respond to and settle casualty claims, which we believe helps reduce the total amount of our claims expense.

The automated adjuster assignment system categorizes our new claims by severity and assigns them to the appropriate adjuster responsible for investigation. Once assigned, the integrated workload management tools facilitate the work of promptly assigning appraisers, investigating liability, issuing checks and receiving subrogation receipts.

The RadicalGlass.com application allows our claims department to contain glass costs by increasing the windshield repair to replacement ratio. For every windshield that is repaired rather than replaced there is an average savings of approximately $275 per windshield claim.

Our first VIP Claims Center was introduced during 2006 to provide increased service levels to our independent insurance agents and their clients. We currently operate three VIP Claims Centers which use a network of rental car centers and auto body repair shops to provide a higher level of service to the clients of the independent insurance agents while reducing costs, such as rental expense, through reduced cycle times.

Billing. Proprietary billing systems, integrated with the systems of our print and lock-box vendors, expedite the processing and collection of premium receipts and finance charges from agents and policyholders. We believe the sophistication of our direct bill system helps us to limit our bad debt expense. In both 2008 and 2007 our bad debt expense as a percentage of direct written premiums was 0.2%.

External Applications

Agency employees can securely access business critical applications through our corporate extranet, which we call AVC. AVC includes Web-enabled applications, advanced security and an Internet-enabled

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communications network, which we believe constitutes many of our agents' only high-speed Internet connection. We believe that AVC is unique to the Massachusetts insurance industry because using AVC allows an agent to access a variety of vendors and other carriers over the Internet through a single portal. We currently have a patent application pending on AVC. The patent application pertains to the method and system by which AVC delivers customer services to independent insurance agents. The capability for agency personnel to schedule online appointments with third-party vendors (such as glass repair retailers and rental car agencies) for their clients is also available. We designed AVC to be scalable so that these types of vendors and potentially, other insurers, can link to the network and create a "once and done" environment for the independent agent.

Listed below are examples of the business critical applications agents may access through AVC.

New Business and Endorsement Processing. Agents can perform new business and endorsement processing with our point of sale application. Agents can upload policy data to our system directly from their agency system or rate quote software in AVC's secure Web environment without having to re-enter policy information. Agents are then able to download many of these transactions to their agency management system the next business day.

Inquiry Access. Inquiry Access is a customer service application designed to provide agency customer service representatives with real-time access to our database of insured information. This application allows agents to view the status of claims, billing and policy detail.

Policyholder Inquiry. Policyholder Inquiry provides 24 hours a day, 7 days a week self-service account information to our policyholders through our website or through their independent agents' websites. This application provides policyholders with round-the-clock access to billing and claims information.

Other Tools and Services. AVC gives agents access to electronic versions of underwriting manuals, which include updated guidelines for acceptable risks, commission levels and product pricing. Further, we provide our agents with third-party software (the XNET Cost Estimator from Marshall Swift/Boeck) that we make available through AVC to help assess home replacement costs. This initiative helps ensure that we receive the correct premium with respect to homeowners policies and provide the correct level of coverage against home loss. Finally, we provide agents a daily report of all their insurance transactions processed through AVC. This report allows our agents to monitor their performance and review profitability goals.

Claims. We provide tools for our agents to participate in our exclusive claim transfer process. Insured reports claim to our agent and through advanced technology it is transferred to our adjusters to begin processing the loss immediately. This reduces cycle time and redundancy by several days.

Claims

Because of the unique differences between the management of casualty claims and property claims, we use separate departments for each of these types of claims.

Casualty Claims

We have a proven record of settling casualty claims below the industry average in Massachusetts. According to the Automobile Insurers Bureau, our average casualty claim settlement during the period from January 1994 through June 30, 2008, was $5,648, approximately 3.0% lower than the Massachusetts industry average of $5,822.

We have adopted stringent claims settlement procedures, which include guidelines that establish maximum settlement offers for soft tissue injuries, which constituted approximately 71% of our bodily injury claims in 2008. If we are unable to settle these claims within our guidelines, we generally take the claim to litigation. We believe that these procedures result in providing our adjusters with a uniform approach to negotiation.

We believe an important component of handling claims efficiently is prompt investigation and settlement. We find that faster claims settlements often result in less expensive claims settlements. Our E-Claim reporting system is an online product that reduces the time it takes for agents to notify our adjusters about claims, thereby enabling us to contact third-party claimants and other witnesses quickly. After business hours we outsource claims adjustment support to an independent firm whose employees contact third-party claimants and other witnesses. We believe that early notification results in our adjusters conducting prompt investigations of claims and compiling more accurate information about those claims. Our claims workload management software also assists our adjusters in handling claims quickly.

We believe the structure of our casualty claims unit allows us to respond quickly to claimants anywhere in the Commonwealth of Massachusetts. Comprising 110 people, the department is organized into distinct claim units that contain loss costs for soft tissue injuries. Field adjusters are located geographically for prompt response to claims, with our litigation unit focused on managing loss costs and litigation expenses for serious injury claims.

Additionally, we utilize a special unit to investigate fraud in connection with casualty claims. This special unit has one manager and ten employees. In cases where adjusters suspect fraud in connection with a claim, we deploy this special unit to conduct investigations. We deny payment to claimants in cases in which we have succeeded in accumulating sufficient evidence of fraud.

Property Claims

Our property claims unit handles property claims arising in our private passenger and commercial automobile, homeowners and other insurance lines. Process automation has streamlined our property claims function. Many of our property claims are now handled by the agents through AVC using our Power Desk software application. As agents receive calls from claimants, Power Desk permits the agent to immediately send information related to the claim directly to us and to an independent appraiser selected by the agent to value the claim. Once we receive this information, an automated system redirects the claim to the appropriate internal adjuster responsible for investigating the claim to determine liability. Upon determination of liability, the system automatically begins the process of seeking a subrogation recovery from another insurer, if liable. We believe this process results in a shorter time period from when the claimant first contacts the agent to when the claimant receives a claim payment, while enabling our agents to build credibility with their clients by responding to claims in a timely and efficient manner. We benefit from decreased labor expenses from the need for fewer employees to handle the reduced property claims call volume.

Another important factor in keeping our overall property claims costs low is collecting subrogation recoveries. We track the amounts we pay out in claims costs and identify cases in which we believe we can reclaim some or all of those costs through the use of our automated workload management tools.

Reserves

Significant periods of time can elapse between the occurrence of an insured loss, the reporting of the loss to the insurer and the insurer's payment of that loss. To recognize liabilities for unpaid losses, insurers establish reserves as balance sheet liabilities representing estimates of amounts needed to pay reported and unreported losses and the expenses associated with investigating and paying the losses, or loss adjustment expenses. Every quarter, we review and establish our reserves. Regulations promulgated by the Commissioner require us to annually obtain a certification from either a qualified actuary or an approved loss reserve specialist who may be one of our employees that our loss and loss adjustment expenses reserves are reasonable.

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When a claim is reported, claims personnel establish a "case reserve" for the estimated amount of the ultimate payment. The amount of the reserve is primarily based upon an evaluation of the type of claim involved, the circumstances surrounding each claim and the policy provisions relating to the loss. The estimate reflects informed judgment of such personnel based on general insurance reserving practices and on the experience and knowledge of the claims person. During the loss adjustment period, these estimates are revised as deemed necessary by our claims department based on subsequent developments and periodic reviews of the cases.

In accordance with industry practice, we also maintain reserves for estimated losses incurred but not yet reported. Incurred but not yet reported reserves are determined in accordance with commonly accepted actuarial reserving techniques on the basis of our historical information and experience. We make adjustments to incurred but not yet reported reserves quarterly to take into account changes in the volume of business written, claims frequency and severity, our mix of business, claims processing and other items that can be expected to affect our liability for losses and loss adjustment expenses over time.

When reviewing reserves, we analyze historical data and estimate the impact of various loss development factors, such as our historical loss experience and that of the industry, legislative enactments, judicial decisions, legal developments in imposition of damages, and changes and trends in general economic conditions, including the effects of inflation. There is no precise method, however, for evaluating the impact of any specific factor on the adequacy of reserves, because the eventual development of reserves is affected by many factors. After taking into account all relevant factors, management believes that our provision for unpaid losses and loss adjustment expenses at December 31, 2008, is adequate to cover the ultimate net cost of losses and claims incurred as of that date.

Management determines its loss and loss adjustment expense ("LAE") reserves estimates based upon the analysis of the Company's actuaries. Management has established a process for the Company's actuaries to follow in establishing reasonable reserves. The process consists of meeting with our claims department, establishing ultimate incurred losses by using development models accepted by the actuarial community, and reviewing the analysis with management. The Company's estimate for loss and LAE reserves, net of the effect of ceded reinsurance, ranges from a low of $346,014 to a high of $394,268 as of December 31, 2008. The Company's loss and LAE reserves, based on management's best estimate, were set at $391,070 as of December 31, 2008. The ultimate liability may be greater or less than reserves carried at the balance sheet date. Establishment of appropriate reserves is an inherently uncertain process, and there can be no certainty that currently established reserves will prove adequate in light of subsequent actual experience. To the extent that reserves are inadequate and are strengthened, the amount of such increase is treated as a charge to earnings in the period that the deficiency is recognized. To the extent that reserves are redundant and are released, the amount of the release is a credit to earnings in the period the redundancy is recognized. We do not discount any of our reserves.

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The following table presents development information on changes in the reserves for losses and loss adjustment expenses ("LAE") of our Insurance Subsidiaries for the three years ended December 31, 2008.

	Years Ended December 31,		
	2008	**2007**	**2006**
Reserves for losses and LAE, beginning of year	**$ 477,720**	$ 449,444	$ 450,716
Less reinsurance recoverable on unpaid losses and LAE	**(84,290)**	(78,464)	(80,550)
Net reserves for losses and LAE, beginning of year	**393,430**	370,980	370,166
Incurred losses and LAE, related to:			
Current year	**405,761**	405,284	396,653
Prior years	**(35,938)**	(30,791)	(42,747)
Total incurred losses and LAE	**369,823**	374,493	353,906
Paid losses and LAE related to:			
Current year	**229,924**	229,237	219,879
Prior years	**142,259**	122,806	133,213
Total paid losses and LAE	**372,183**	352,043	353,092
Net reserves for losses and LAE, end of year	**391,070**	393,430	370,980
Plus reinsurance recoverables on unpaid losses and LAE	**76,489**	84,290	78,464
Reserves for losses and LAE, end of year	**$ 467,559**	$ 477,720	$ 449,444

At the end of each period, the reserves were re-estimated for all prior accident years. Our prior year reserves decreased by $35,938, $30,791 and $42,747, during 2008, 2007 and 2006, respectively. The decrease in prior year reserves during 2008 resulted from re-estimations of prior year ultimate loss and LAE liabilities and is primarily composed of reductions of $21,752 in the our retained automobile reserves and $8,905 in the CAR assumed reserves. It is not appropriate to extrapolate future favorable or unfavorable development of reserves from this past experience.

The following table represents the development of reserves, net of reinsurance, for calendar years 1998 through 2008. The top line of the table shows the reserves at the balance sheet date for each of the indicated years. This represents the estimated amounts of losses and loss adjustment expenses for claims arising in all years that were unpaid at the balance sheet date, including losses that had been incurred but not yet reported to us. The upper portion of the table shows the cumulative amounts paid as of the end of each successive year with respect to those claims. The lower portion of the table shows the re-estimated amount of the previously recorded reserves based on experience as of the end of each succeeding year, including cumulative payments made since the end of the respective year. The estimate changes as more information becomes known about the payments, frequency and severity of claims for individual years. Favorable loss development, shown as a cumulative redundancy in the table, exists when the original reserve estimate is greater than the re-estimated reserves at December 31, 2008.

Information with respect to the cumulative development of gross reserves (that is, without deduction for reinsurance ceded) also appears at the bottom portion of the table.

In evaluating the information in the table, it should be noted that each amount entered incorporates the effects of all changes in amounts entered for prior periods. Thus, if the 2004 estimate for a previously incurred loss was $150,000 and the loss was reserved at $100,000 in 2000, the $50,000 deficiency (later estimate minus original estimate) would be included in the cumulative redundancy

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(deficiency) in each of the years 2000-2004 shown in the table. It should further be noted that the table does not present accident or policy year development data. In addition, conditions and trends that have affected the development of liability in the past may not necessarily recur in the future. Accordingly, it is not appropriate to extrapolate future redundancies or deficiencies from the table.

	As of and for the Year Ended December 31,										
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Reserves for losses and LAE originally estimated	$391,070	$393,430	$370,980	$370,166	$366,730	$310,012	$266,636	$227,377	$211,834	$206,613	$195,990
Cumulative amounts paid as of:											
One year later		140,060	122,806	133,213	144,600	150,354	137,092	118,141	114,016	107,937	92,791
Two years later			183,457	187,231	202,435	201,287	199,119	168,344	163,768	133,414	113,323
Three years later				221,390	233,513	232,539	225,350	196,340	185,396	154,395	135,024
Four years later					251,303	247,073	238,087	212,079	194,891	163,903	144,985
Five years later						255,798	243,677	217,009	204,290	167,829	149,548
Six years later							246,488	218,419	206,324	171,148	150,940
Seven years later								219,397	206,801	171,871	152,243
Eight years later									207,180	172,157	152,533
Nine years later										172,359	152,714
Ten years later											152,862

	As of and for the Year Ended December 31,										
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Reserves re-estimated as of:											
One year later		$357,492	$340,189	$327,419	$327,110	$303,234	$266,817	$225,115	$204,531	$179,650	$169,940
Two years later			311,972	310,614	304,891	291,100	269,941	227,764	206,340	176,008	156,590
Three years later				289,109	297,790	280,507	264,961	231,190	208,587	175,868	154,867
Four years later					284,542	277,835	260,398	229,699	209,517	176,025	154,530
Five years later						271,205	257,836	227,428	208,343	175,367	154,572
Six years later							253,711	225,705	208,232	174,469	153,926
Seven years later								223,554	207,084	174,121	153,920
Eight years later									205,891	173,681	153,778
Nine years later										173,163	153,428
Ten years later											