

2017

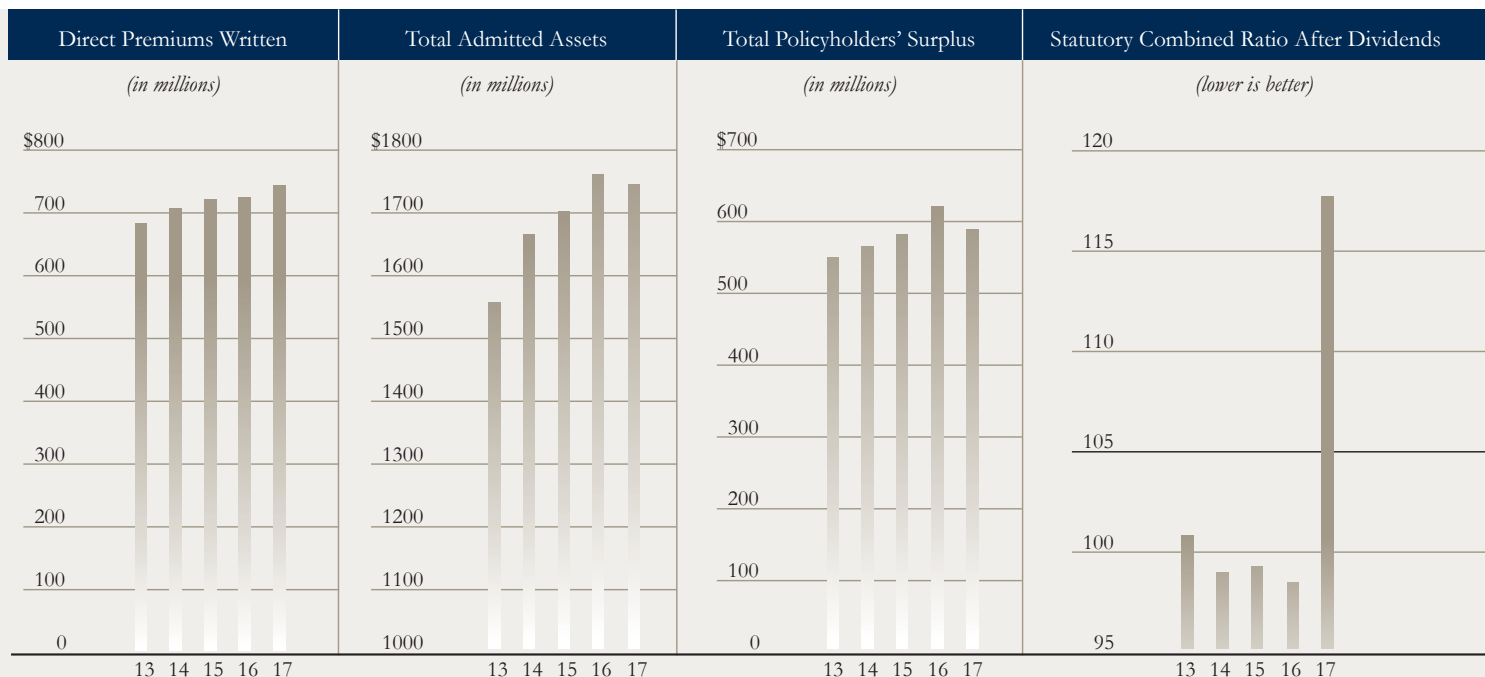
Combined Statutory Financial Statements (Unaudited)

(Dollars in thousands)	2017	2016	2015	2014	2013
Direct premiums written	\$ 744,275	\$ 725,768	\$ 719,977	\$ 706,213	\$ 681,691
Net premiums written	703,216	685,932	675,358	666,301	644,536
Net premiums earned	690,334	684,415	668,381	653,181	619,758
Investment income, including realized gains and losses	51,198	49,223	45,280	55,988	51,419
Net income (loss)	(42,960)	53,272	28,295	42,526	32,795
Total cash and investments	\$1,456,793	\$1,420,296	\$1,369,384	\$1,376,699	\$1,328,973
Total admitted assets	1,747,004	1,763,087	1,700,593	1,668,067	1,559,170
Total policyholders' surplus	586,917	623,872	580,803	567,445	550,211
Combined ratio after dividends	116.9	98.5	99.2	98.9	100.9

Our company's direct premiums written totaled \$744.3 million for the year ended December 31, 2017 surpassing premium writings for 2016 by \$18.5 million or 2.5 percent. This improvement was primarily driven by our personal lines writings.

Our net combined ratio was 116.9 for the year, which includes 17.0 points related to a change in estimate for reinsurance recoverables attributable to legacy claims. Excluding the impact for this change in estimate, we achieved a combined ratio of 99.9, inclusive of 2.6 points arising from weather-related catastrophe events.

During the year, our company successfully repurchased a total of \$16.0 million par value of its surplus note, effectively reducing the amount outstanding to \$34.0 million at December 31, 2017. This will have the benefit of reducing our annual interest expense by \$1.5 million. At December 31, 2017, admitted assets totaled \$1.7 billion and surplus was strong at \$586.9 million.





2017

Combined Statutory Financial Statements (Unaudited)

Combined Statutory Balance Sheets (Unaudited)

December 31, (dollars in thousands)	2017	2016
Admitted Assets		
Investments:		
Bonds	\$1,215,663	\$1,223,769
Stocks	166,151	154,225
Mortgage loans	16,931	17,528
Real estate & other	883	1,058
Cash and cash equivalents	57,165	23,716
Total cash and investments	1,456,793	1,420,296
Agents' balances and uncollected premiums	193,031	184,647
Investment income due and accrued	10,076	10,464
Amounts due from reinsurers	23,968	110,775
Deferred tax asset, net	18,863	28,531
Other assets	44,273	8,374
Total admitted assets	\$1,747,004	\$1,763,087
Liabilities and Policyholders' Surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 722,892	\$ 700,117
Unearned premiums	319,808	306,929
Premium taxes and other expenses	43,913	49,833
Drafts outstanding	18,316	12,102
Other liabilities	55,158	70,234
Total liabilities	1,160,087	1,139,215
Policyholders' surplus:		
Surplus notes	34,000	50,000
Unassigned surplus	552,917	573,872
Total policyholders' surplus	586,917	623,872
Total liabilities and policyholders' surplus	\$1,747,004	\$1,763,087



2017

Combined Statutory Financial Statements (Unaudited)

Combined Statutory Statements of Income (Unaudited)

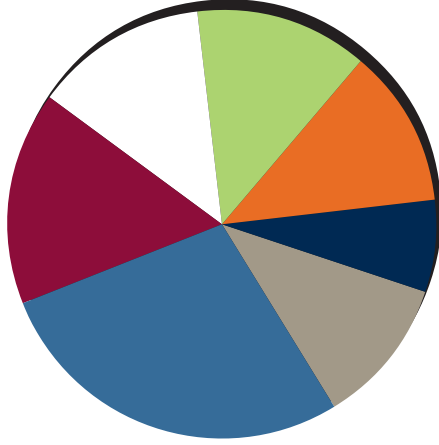
Years Ended December 31, (dollars in thousands)	2017	2016
Underwriting income:		
Net premiums written	\$703,216	\$685,932
Increase in unearned premiums	(12,882)	(1,517)
Premiums earned	690,334	684,415
Losses and loss adjustment expenses	570,117	439,283
Underwriting expenses	233,847	232,546
Total losses and expenses	803,964	671,829
Total underwriting income (loss)	(113,630)	12,586
Investment income:		
Net investment income	44,445	41,973
Net realized gains on investments	6,753	7,250
Total investment income	51,198	49,223
Other income (expense), net	(784)	2,554
Income (loss) before dividends and federal income tax expense (benefit)	(63,216)	64,363
Dividends to policyholders	7,376	2,858
Income (loss) before federal income tax expense (benefit)	(70,592)	61,505
Federal income tax expense (benefit)	(27,632)	8,233
Net income (loss)	(\$ 42,960)	\$ 53,272

Combined Statutory Operating Statistics (Unaudited)

Years Ended December 31,	2017	2016
Loss ratio	68.4	54.3
Loss adjustment expense ratio	14.2	9.9
Loss and loss adjustment expense ratio	82.6	64.2
Underwriting expense ratio	33.2	33.9
Dividend ratio	1.1	0.4
Combined ratio after dividends	116.9	98.5
Net premiums written to surplus ratio	1.2	1.1
Net liabilities to surplus ratio	2.0	1.8
Net leverage ratio	3.2	2.9

**2017
Combined Direct Premiums
Written by Line of Business**

Personal Automobile	30%
Other Liability	16%
Commercial Automobile	13%
Homeowners	13%
Workers' Compensation	11%
Businessowners	7%
Other	10%



**2017
Combined Direct Premiums
Written by State**

Pennsylvania	41%
North Carolina	17%
New Jersey	11%
Maryland	6%
Virginia	6%
Tennessee	5%
Alabama	4%
Wisconsin	4%
Other	6%

