

Commercial Lines Projections

- ◆ Major commercial lines (commercial auto, commercial multi peril, workers' comp) are hurt by the economy and weak pricing. Premiums expected to decline again in 2009.
- ◆ Combined ratio hovers at break even, making investment results critical.
- ◆ 2008 combined ratio includes mortgage and financial guarantee results.

Commercial Lines Projections (2009 First Quarter)

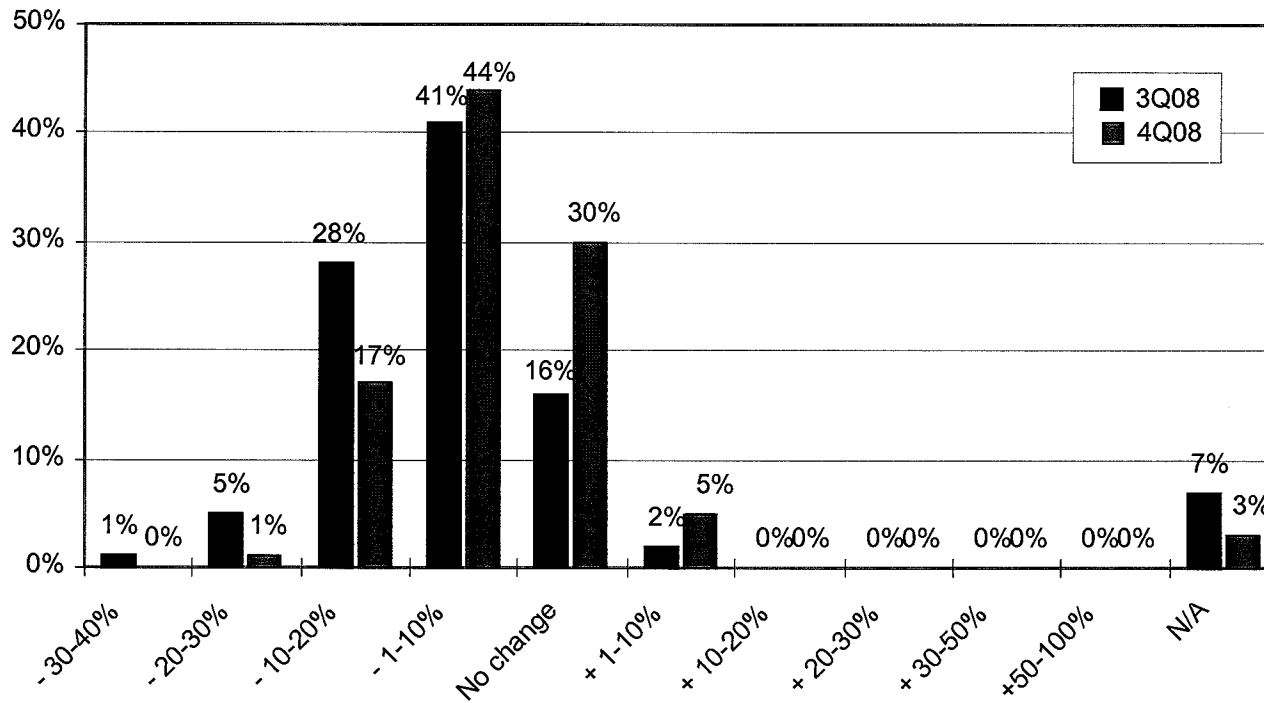
Year	Statutory Data			Combined Ratio	GAAP Return on Equity
	Premium Growth	Loss Ratio	Expense Ratio		
2007	-0.7%	65.4%	28.1%	94.2%	13.6%
2008	-1.7%	78.1%	28.3%	107.1%	1.7%
2009	-2.2%	70.9%	28.5%	100.0%	8.8%
2010	2.9%	71.6%	28.5%	100.6%	8.8%

Source: Conning Property-Casualty Forecast & Analysis By Line of Insurance 1Q09

Workers' Compensation Rates

- ◆ Signs of improvement

Workers' Compensation Premium Rates
CIAB Survey - Current vs. Prior Quarter

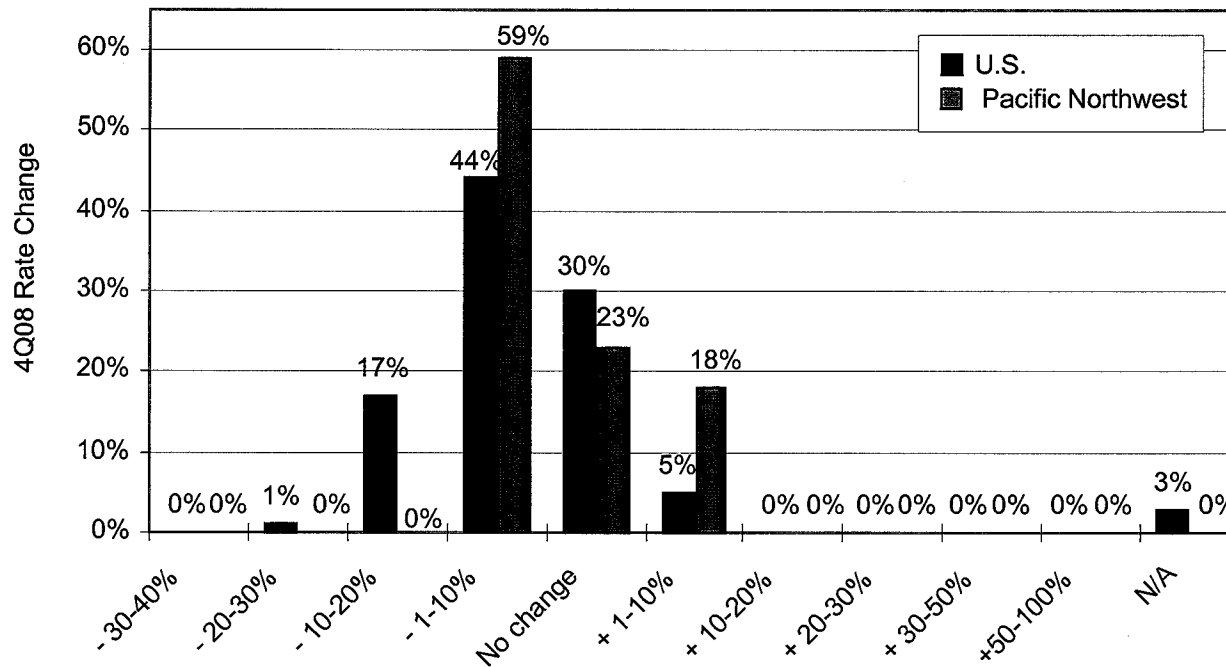


Source: Council of Insurance Agents & Brokers

Workers' Compensation Rates – Pacific Northwest

- ◆ Pacific Northwest includes AK, northern CA, CO, HI, ID, MT, NV, OR, UT, WA and WY. L&I is NOT included.

Workers' Compensation Premium Rates
CIAB Survey - U.S. vs. Pacific Northwest



Source: Council of Insurance Agents & Brokers

Workers' Compensation Projections

- ◆ Price competition, rising unemployment, falling payrolls lead to sharp drops in premiums. Flat premiums in 2010 -- **IF** economy stabilizes and rates increase.
- ◆ Increasing severity offsets declining frequency to push up combined ratio. Reserve releases in 2007 and 2008, but estimate a small deficiency going into 2009. Temptation to under reserve?
- ◆ **ALIG**, largest workers' comp insurer, remains a major force. Government provided capital supports "A" rating. Competitors complain of under pricing.

Workers' Comp Projections (2009 First Quarter)

Year	Statutory Data			Combined Ratio	GAAP Return on Equity
	Premium Growth	Loss Ratio	Expense Ratio		
2007	-3.6%	76.1%	24.4%	102.8%	10.3%
2008	-8.0%	77.2%	23.5%	103.0%	3.7%
2009	-5.7%	79.1%	24.0%	104.9%	8.5%
2010	0.5%	80.1%	24.5%	105.6%	8.7%

Source: Conning Property-Casualty Forecast & Analysis By Line of Insurance 1Q09