

## CONSOLIDATED BALANCE SHEETS

The accompanying notes are an integral part of the consolidated financial statements.

in thousands, except per share data	December 31	2007	2006
<b>ASSETS</b>			
Investments:			
Fixed income:			
Available-for-sale, at fair value (amortized cost – \$1,274,734 in 2007 and \$1,240,020 in 2006)		<b>\$1,283,305</b>	\$1,234,571
Held-to-maturity, at amortized cost (fair value – \$75,673 in 2007 and \$108,730 in 2006)		<b>73,648</b>	106,310
Trading, at fair value (amortized cost – \$15,350 in 2007 and \$15,125 in 2006)		<b>15,413</b>	14,960
Common stock available-for-sale, at fair value (cost – \$216,465 in 2007 and \$201,443 in 2006)		<b>359,513</b>	368,195
Preferred stock available-for-sale, at fair value (cost – \$39,133 in 2007)		<b>34,167</b>	–
Short-term investments, at cost which approximates fair value		<b>73,731</b>	104,205
<b>Total investments</b>		<b>1,839,777</b>	<b>1,828,241</b>
Cash		–	–
Accrued investment income		<b>18,296</b>	18,628
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of \$13,336 in 2007 and \$21,620 in 2006		<b>105,937</b>	126,021
Ceded unearned premiums		<b>71,021</b>	97,596
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of \$18,877 in 2007 and \$16,806 in 2006		<b>417,250</b>	525,671
Deferred policy acquisition costs, net		<b>78,882</b>	73,817
Property and equipment, at cost, net of accumulated depreciation of \$40,509 in 2007 and \$38,060 in 2006		<b>20,050</b>	20,590
Investment in unconsolidated investees		<b>38,162</b>	36,667
Goodwill, net of accumulated amortization of \$4,700 in 2007 and 2006		<b>26,214</b>	26,214
Other assets		<b>10,934</b>	17,851
<b>Total assets</b>		<b>\$2,626,523</b>	<b>\$2,771,296</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Unpaid losses and settlement expenses		<b>\$1,192,178</b>	\$1,318,777
Unearned premiums		<b>355,522</b>	387,811
Reinsurance balances payable		<b>38,273</b>	54,975
Notes payable, short-term debt		<b>27,975</b>	–
Income taxes – current		–	8,318
Income taxes – deferred		<b>25,042</b>	27,069
Bonds payable, long-term debt		<b>100,000</b>	100,000
Accrued expenses		<b>39,303</b>	34,690
Other liabilities		<b>73,808</b>	83,136
<b>Total liabilities</b>		<b>\$1,852,101</b>	<b>\$2,014,776</b>
Shareholders' equity:			
Common stock (\$1 par value, authorized 50,000,000 shares, issued 31,869,596 shares in 2007 and 31,689,740 shares in 2006)		<b>31,870</b>	31,690
Paid-in capital		<b>192,446</b>	187,632
Accumulated other comprehensive earnings, net of tax		<b>95,701</b>	105,145
Retained earnings		<b>749,767</b>	594,147
Deferred compensation		<b>7,980</b>	7,744
Treasury stock, at cost (9,714,456 shares in 2007 and 7,416,762 shares in 2006)		<b>(303,342)</b>	(169,838)
<b>Total shareholders' equity</b>		<b>\$ 774,422</b>	<b>\$ 756,520</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$2,626,523</b>	<b>\$2,771,296</b>

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

The accompanying notes are an integral part of the consolidated financial statements.

in thousands, except per share data	Years Ended December 31	2007	2006	2005
Net premiums earned		<b>\$544,478</b>	\$530,338	\$491,307
Net investment income		<b>78,901</b>	71,325	61,641
Net realized investment gains		<b>28,966</b>	31,045	16,354
<b>Consolidated revenue</b>		<b>652,345</b>	<b>632,708</b>	<b>569,302</b>
Losses and settlement expenses		<b>190,868</b>	256,889	251,170
Policy acquisition costs		<b>155,610</b>	145,776	136,058
Insurance operating expenses		<b>42,235</b>	43,617	35,196
Interest expense on debt		<b>6,997</b>	6,581	7,118
General corporate expenses		<b>9,474</b>	8,069	6,780
<b>Total expenses</b>		<b>405,184</b>	<b>460,932</b>	<b>436,322</b>
Equity in earnings of unconsolidated investees		<b>7,315</b>	15,117	10,896
<b>Earnings before income taxes</b>		<b>254,476</b>	<b>186,893</b>	<b>143,876</b>
Income tax expense (benefit):				
Current		<b>75,551</b>	59,942	40,481
Deferred		<b>3,058</b>	(7,688)	(3,739)
<b>Income tax expense</b>		<b>78,609</b>	<b>52,254</b>	<b>36,742</b>
<b>Net earnings</b>		<b>\$175,867</b>	<b>\$134,639</b>	<b>\$107,134</b>
Other comprehensive earnings (loss), net of tax				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period		<b>\$ 9,339</b>	\$ 32,011	\$ (12,594)
Less: Reclassification adjustment for gains included in net earnings		(18,783)	(9,651)	(10,638)
<b>Other comprehensive earnings (loss)</b>		<b>(9,444)</b>	<b>22,360</b>	<b>(23,232)</b>
<b>Comprehensive earnings</b>		<b>\$166,423</b>	<b>\$156,999</b>	<b>\$ 83,902</b>
Earnings per share:				
Basic — Net earnings per share		<b>\$7.46</b>	\$5.40	\$4.21
<b>Comprehensive earnings per share</b>		<b>\$7.06</b>	<b>\$6.30</b>	<b>\$3.30</b>
Earnings per share:				
Diluted — Net earnings per share		<b>\$7.30</b>	\$5.27	\$4.07
<b>Comprehensive earnings per share</b>		<b>\$6.91</b>	<b>\$6.14</b>	<b>\$3.19</b>
Weighted average number of common shares outstanding:				
Basic		<b>23,574</b>	24,918	25,459
Diluted		<b>24,085</b>	25,571	26,324

## CONSOLIDATED STATEMENTS OF CASH FLOWS

The accompanying notes are an integral part of the consolidated financial statements.

(in thousands)	Years ended December 31,	2007	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net earnings		<b>\$ 175,867</b>	\$ 134,639	\$ 107,134
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Net realized investment gains		<b>(28,966)</b>	(31,045)	(16,354)
Depreciation		<b>3,567</b>	3,503	3,228
Other items, net		<b>10,137</b>	5,783	11,311
Change in: Accrued investment income		<b>332</b>	(1,654)	(1,791)
Premiums and reinsurance balances receivable (net of direct write-offs and commutations)		<b>20,084</b>	873	19,773
Reinsurance balances payable		<b>(16,702)</b>	(12,480)	19,464
Ceded unearned premium		<b>26,575</b>	17,072	(13,221)
Reinsurance balances recoverable on unpaid losses		<b>108,421</b>	67,538	(129,029)
Deferred policy acquisition costs		<b>(5,065)</b>	(4,340)	(2,331)
Accounts payable and accrued expenses		<b>4,613</b>	3,005	9,693
Unpaid losses and settlement expenses		<b>(126,599)</b>	(13,089)	199,267
Unearned premiums		<b>(32,289)</b>	4,128	16,479
Income taxes: Current		<b>(12,250)</b>	6,823	(7,187)
Deferred		<b>3,058</b>	(7,688)	(3,739)
Stock option excess tax benefit		<b>(2,042)</b>	(2,930)	–
Changes in investment in unconsolidated investees: Undistributed earnings		<b>(7,315)</b>	(15,117)	(10,896)
Dividends received		<b>5,940</b>	16,500	–
Net (cash used in) proceeds from trading portfolio activity		<b>(343)</b>	254	(3,774)
<b>Net cash provided by operating activities</b>		<b>\$ 127,023</b>	<b>\$ 171,775</b>	<b>\$ 198,027</b>



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

The accompanying notes are an integral part of the consolidated financial statements.

(in thousands, except per share data)	Total Shareholders' Equity	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Deferred Compen- sation	Treasury Stock at Cost
<b>Balance, January 1, 2005</b>	\$623,661	\$31,109	\$180,592	\$106,017	\$386,968	\$6,891	\$ (87,916)
Net earnings	107,134				107,134		
Other comprehensive loss, net of tax	(23,232)			(23,232)			
Deferred compensation under Rabbi trust plans	-					844	(844)
Exercise of stock options	1,437	235	1,202				
Dividends declared (\$.63 per share)	(16,059)				(16,059)		
<b>Balance, December 31, 2005</b>	\$692,941	\$31,344	\$181,794	\$ 82,785	\$478,043	\$7,735	\$ (88,760)
Net earnings	\$134,639				134,639		
Other comprehensive earnings, net of tax	22,360			22,360			
Treasury shares purchased (1,624,009 shares)	(81,069)						(81,069)
Deferred compensation under Rabbi trust plans	-					9	(9)
Stock option excess tax benefit	2,930		2,930				
Exercise of stock options	3,254	346	2,908				
Dividends declared (\$.75 per share)	(18,535)				(18,535)		
<b>Balance, December 31, 2006</b>	\$756,520	\$31,690	\$187,632	\$105,145	\$594,147	\$7,744	\$(169,838)
Net earnings	<b>\$175,867</b>				<b>175,867</b>		
Other comprehensive loss, net of tax	<b>(9,444)</b>			<b>(9,444)</b>			
Treasury shares purchased (2,297,694 shares)	<b>(133,268)</b>						<b>(133,268)</b>
Deferred compensation under Rabbi trust plans	-					<b>236</b>	<b>(236)</b>
Stock option excess tax benefit	<b>2,042</b>		<b>2,042</b>				
Exercise of stock options	<b>2,952</b>	<b>180</b>	<b>2,772</b>				
Dividends declared (\$.87 per share)	<b>(20,247)</b>				<b>(20,247)</b>		
<b>Balance, December 31, 2007</b>	<b>\$774,422</b>	<b>\$31,870</b>	<b>\$192,446</b>	<b>\$ 95,701</b>	<b>\$749,767</b>	<b>\$7,980</b>	<b>\$(303,342)</b>