

(in thousands, except per share data)	December 31,	2010	2009
Assets			
Investments:			
Fixed income:			
Available-for-sale, at fair value (amortized cost – \$1,093,869 in 2010 and \$1,240,203 in 2009)		\$1,132,064	\$1,273,518
Held-to-maturity, at amortized cost (fair value – \$303,384 in 2010 and \$209,019 in 2009)		309,258	210,888
Trading, at fair value (amortized cost – \$13 in 2010 and \$994 in 2009)		15	941
Equity securities available-for-sale, at fair value (cost – \$213,069 in 2010 and \$177,681 in 2009)		321,897	262,693
Short-term investments, at cost which approximates fair value		39,787	104,462
Total investments		1,803,021	1,852,502
Cash		–	–
Accrued investment income		14,615	16,845
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of \$14,128 in 2010 and \$14,637 in 2009		107,391	83,961
Ceded unearned premiums		62,631	65,379
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of \$15,065 in 2010 and \$16,841 in 2009		354,163	336,392
Deferred policy acquisition costs, net		74,435	75,880
Property and equipment, at cost, net of accumulated depreciation of \$38,703 in 2010 and \$35,943 in 2009		18,370	19,110
Investment in unconsolidated investee		43,358	44,286
Goodwill		26,214	26,214
Other assets		10,394	18,084
Total assets		\$2,514,592	\$2,538,653
Liabilities and Shareholders' Equity			
Liabilities:			
Unpaid losses and settlement expenses		\$1,173,943	\$1,146,460
Unearned premiums		301,537	312,527
Reinsurance balances payable		23,851	22,431
Income taxes – deferred		33,930	24,299
Bonds payable, long-term debt		100,000	100,000
Accrued expenses		42,436	41,835
Other liabilities		47,519	58,851
Total liabilities		\$1,723,216	\$1,706,403
Shareholders' equity:			
Common stock (\$1 par value, authorized 100,000,000 shares, issued 32,317,691 shares in 2010 and 32,179,091 shares in 2009)		32,318	32,179
Paid-in capital		215,066	207,386
Accumulated other comprehensive earnings, net of tax		95,992	77,411
Retained earnings		834,375	877,791
Deferred compensation		6,474	7,989
Treasury stock, at cost (11,353,151 shares in 2010 and 10,914,368 shares in 2009)		(392,849)	(370,506)
Total shareholders' equity		\$ 791,376	\$ 832,250
Total liabilities and shareholders' equity		\$2,514,592	\$2,538,653

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

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

(in thousands, except per share data)	Years Ended December 31,	2010	2009	2008
Net premiums earned		\$493,382	\$491,961	\$ 528,764
Net investment income		66,799	67,346	78,986
Net realized investment gains		23,243	32,538	29,427
Other-than-temporary-impairment losses on investments		—	(45,293)	(76,165)
Consolidated revenue		583,424	546,552	561,012
Losses and settlement expenses		201,332	203,388	247,174
Policy acquisition costs		158,071	162,020	163,320
Insurance operating expenses		38,584	39,768	35,207
Interest expense on debt		6,050	6,050	6,704
General corporate expenses		7,998	7,941	6,853
Total expenses		412,035	419,167	459,258
Equity in earnings of unconsolidated investee		7,101	5,052	4,844
Earnings before income taxes		178,490	132,437	106,598
Income tax expense (benefit):				
Current		51,433	23,687	33,721
Deferred		(375)	14,905	(5,799)
Income tax expense		51,058	38,592	27,922
Net earnings		\$127,432	\$ 93,845	\$ 78,676
Other comprehensive earnings (loss), net of tax				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period		\$ 33,552	\$ 53,995	\$(111,152)
Less: Reclassification adjustment for losses (gains) included in net earnings		(14,971)	8,286	30,581
Other comprehensive earnings (loss) (OCI)		18,581	62,281	(80,571)
Comprehensive earnings (loss)		\$146,013	\$156,126	\$ (1,895)
Earnings per share:				
Basic – Net earnings per share		\$6.06	\$4.35	\$ 3.65
Comprehensive earnings (loss) per share		\$6.95	\$7.24	\$(0.09)
Earnings per share:				
Diluted – Net earnings per share		\$6.00	\$4.32	\$ 3.60
Comprehensive earnings (loss) per share		\$6.87	\$7.18	\$(0.09)
Weighted average number of common shares outstanding:				
Basic		21,020	21,562	21,540
Diluted		21,241	21,731	21,848

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(in thousands, except per share data)	Common Shares	Total Shareholders' Equity	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Deferred Compensation	Treasury Stock at Cost
Balance, January 1, 2008	22,155,140	\$774,422	\$31,870	\$192,446	\$ 95,701	\$749,767	\$7,980	\$(303,342)
Net earnings	—	\$ 78,676	\$ —	\$ —	\$ —	\$ 78,676	\$ —	\$ —
Other comprehensive loss, net of tax	—	(80,571)	—	—	(80,571)	—	—	—
Treasury shares purchased	(917,200)	(47,904)	—	—	—	—	—	(47,904)
Deferred compensation under Rabbi trust plans	—	—	—	—	—	—	332	(332)
Stock option excess tax benefit	—	4,929	—	4,929	—	—	—	—
Exercise of stock options	236,489	(150)	236	(386)	—	—	—	—
Dividends declared (\$0.99 per share)	—	(21,248)	—	—	—	(21,248)	—	—
Balance, December 31, 2008	21,474,429	\$708,154	\$32,106	\$196,989	\$ 15,130	\$807,195	\$8,312	\$(351,578)
Net earnings	—	\$ 93,845	\$ —	\$ —	\$ —	\$ 93,845	\$ —	\$ —
Other comprehensive earnings, net of tax	—	62,281	—	—	62,281	—	—	—
Treasury shares purchased	(282,712)	(19,251)	—	—	—	—	—	(19,251)
Treasury shares reissued	—	5,222	—	5,222	—	—	—	—
Deferred compensation under Rabbi trust plans	—	—	—	—	—	—	(323)	323
Stock option excess tax benefit	—	444	—	444	—	—	—	—
Exercise of stock options	73,006	4,804	73	4,731	—	—	—	—
Dividends declared (\$1.08 per share)	—	(23,249)	—	—	—	(23,249)	—	—
Balance, December 31, 2009	21,264,723	\$832,250	\$32,179	\$207,386	\$ 77,411	\$877,791	\$7,989	\$(370,506)
Net earnings	—	\$127,432	\$ —	\$ —	\$ —	\$127,432	\$ —	\$ —
Other comprehensive earnings, net of tax	—	18,581	—	—	18,581	—	—	—
Treasury shares purchased	(438,783)	(23,858)	—	—	—	—	—	(23,858)
Deferred compensation under Rabbi trust plans	—	—	—	—	—	—	(1,515)	1,515
Stock option excess tax benefit	—	2,732	—	2,732	—	—	—	—
Exercise of stock options	138,600	5,087	139	4,948	—	—	—	—
Dividends declared (\$8.15 per share)	—	(170,848)	—	—	—	(170,848)	—	—
Balance, December 31, 2010	20,964,540	\$791,376	\$32,318	\$215,066	\$ 95,992	\$834,375	\$6,474	\$(392,849)

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(in thousands)	Years ended December 31,	2010	2009	2008
Cash flows from operating activities				
Net earnings		\$127,432	\$ 93,845	\$ 78,676
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Net realized investment losses (gains)		(23,243)	12,755	46,738
Depreciation		3,037	3,284	3,596
Other items, net		(6,139)	11,172	17,287
Change in: Accrued investment income		2,230	381	1,070
Premiums and reinsurance balances receivable (net of direct write-offs and commutations)		(23,430)	8,188	13,788
Reinsurance balances payable		1,420	(7,793)	(8,049)
Ceded unearned premium		2,748	598	5,044
Reinsurance balances recoverable on unpaid losses		(17,771)	13,892	66,966
Deferred policy acquisition costs		1,445	2,640	362
Accounts payable and accrued expenses		601	8,941	(6,409)
Unpaid losses and settlement expenses		27,483	(12,851)	(32,867)
Unearned premiums		(10,990)	(22,643)	(20,352)
Income taxes: Current		16,691	(3,412)	2,163
Deferred		(375)	14,905	(5,799)
Stock option excess tax benefit		(2,732)	(444)	(4,929)
Changes in investment in unconsolidated investees: Undistributed earnings		(7,101)	(5,052)	(4,844)
Dividends received		7,920	-	3,960
Net proceeds from trading portfolio activity		1,009	9,353	4,933
Net cash provided by operating activities		\$100,235	\$127,759	\$161,334

(in thousands)	Years ended December 31,	2010	2009	2008
Cash flows from Investing activities				
Purchase of: Fixed income, held-to-maturity		\$(348,252)	\$(231,456)	\$ —
Fixed income, available-for-sale		(549,843)	(622,826)	(445,778)
Equity securities, available-for-sale		(63,504)	(123,861)	(123,415)
Short-term investments, net		—	—	(88,838)
Property and equipment		(2,841)	(11,565)	(6,002)
Proceeds from sale of: Fixed income, held-to-maturity		—	—	5,230
Fixed income, available-for-sale		323,887	230,604	143,074
Equity securities, available-for-sale		35,559	178,098	89,032
Short-term investments, net		64,673	23,715	—
Property and equipment		544	10,736	891
Proceeds from call or maturity of: Fixed income, held-to-maturity		249,927	60,412	28,870
Fixed income, available-for-sale		382,456	390,044	327,462
Net cash provided by (used in) investing activities		\$ 92,606	\$ (96,099)	\$ (69,474)
Cash flows from financing activities				
Proceeds from issuance of short-term debt		\$ —	\$ —	\$ 54,017
Payment on short-term debt		—	—	(81,992)
Stock option excess tax benefit		2,732	444	4,929
Proceeds from stock option exercises		5,087	4,804	(150)
Treasury shares purchased		(23,858)	(19,251)	(47,904)
Treasury shares reissued		—	5,222	—
Cash dividends paid		(176,802)	(22,879)	(20,760)
Net cash used in financing activities		\$(192,841)	\$ (31,660)	\$ (91,860)
Net decrease in cash		—	—	—
Cash at beginning of year		—	—	—
Cash at end of year		\$ —	\$ —	\$ —

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