

FCCI MUTUAL INSURANCE HOLDING COMPANY AND SUBSIDIARIES

Summarized Balance Sheet Information (in thousands)

Assets	2008	2007
Bonds and other investments	\$ 1,135,297	1,150,119
Short term investments	-	2,000
Cash and cash equivalents	25,367	2,117
Amounts due from policyholders	193,815	209,982
Amounts recoverable from reinsurers	216,485	274,634
Amounts due from Florida Special Disability Trust Fund	16,765	20,128
Land, building, and equipment, net of depreciation	51,991	54,713
Other assets	130,558	110,345
Total assets	<u>\$ 1,770,278</u>	<u>1,824,038</u>
Liabilities and Members' Equity		
Liabilities:		
Loss and loss adjustment expenses	\$ 931,737	971,287
Unearned and advance premiums	222,627	225,689
Debt	44,000	32,000
Other liabilities	120,012	132,365
Total liabilities	1,318,376	1,361,341
Members' equity	451,902	462,697
Total liabilities and members' equity	<u>\$ 1,770,278</u>	<u>1,824,038</u>

As of December 31, 2008 and 2007, policyholders' surplus of the Company's insurance subsidiaries as determined in accordance with statutory accounting practices was \$376,794 and \$420,558, respectively.

Summarized Statements of Earnings Information (in thousands)

	2008	2007
Revenues:		
Net premiums earned	\$ 476,166	504,706
Net investment income	48,212	48,685
Net realized investment (loss) gain	(15,488)	127
Service fees and other income	3,022	5,636
Total revenues	511,912	559,154
Costs and expenses:		
Loss and loss adjustment expenses incurred	330,959	337,268
Policy acquisition expenses	89,602	102,754
Underwriting, general and administrative expenses	71,424	66,905
Policyholders dividends	7,504	6,854
Other	3,176	2,254
Total costs and expenses	502,665	516,035
Income before income taxes	9,247	43,119
Income tax (benefit) expense	(44)	10,888
Net income	<u>\$ 9,291</u>	<u>32,231</u>

The summarized financial information of the Company is derived from financial statements prepared in conformity with accounting principles generally accepted in the United States of America which are audited by an independent public accounting firm.



PROTECTING BUSINESS, PROPERTY AND PEOPLE

The FCCI Insurance Group includes FCCI Insurance Company, National Trust Insurance Company, Monroe Guaranty Insurance Company, FCCI Commercial Insurance Company, FCCI Advantage Insurance Company, and Brierfield Insurance Company.

FCCI's 2008 Annual Report follows a series of unprecedented events impacting our nation's capital and credit markets. I am pleased to report that FCCI successfully weathered the financial storm of 2008, and while many of our competitors struggled, FCCI endured and even made a profit.

In spite of mandatory rate reductions and a shrinking exposure base, FCCI wrote \$513.7 million in written premium in 2008 and exceeded our best historical performance ever for new business written. Even better, FCCI ended the year with \$9.3 million in net income, an outstanding result when you consider the economic conditions we confronted.

In 2008, FCCI maintained an overall investment portfolio of \$1.2 billion. Although FCCI was not immune to the market turmoil, we did minimize our investment losses. As a result of our efforts, FCCI generated \$48.2 million in net investment income in 2008. This result is due largely to our investment philosophy, which remains conservative while maximizing returns.

In addition to a billion-dollar investment portfolio, FCCI has access to plenty of liquidity. We generated \$53 million of positive operating cash flow in 2008 and have secured \$220 million in credit facilities that provide ample resources, if needed.

Once again, FCCI was fortunate not to have any weather-related catastrophes in 2008. In May, A.M. Best reaffirmed FCCI's A- (Excellent) rating with a Stable and Secure outlook, and our statutory surplus, an important indicator of financial health, remains strong at \$377 million.

Beyond our financial strength and stability, FCCI continues to invest in our technology, which has resulted in 100% productivity gains since 2002, and we continue to invest in our people, who represent some of the finest property and casualty experts in our industry.

I am proud to say that FCCI had no reductions in force in 2008 and even added 33 employees when we acquired the remaining 20 percent we did not already own of Brierfield Insurance Company in Jackson, Mississippi. The acquisition of Brierfield was part of FCCI's long term strategy and will provide additional means for us to grow.

In 2009, FCCI will celebrate our 50th year in business. Looking back on all that we have accomplished since 1959 is nothing short of amazing, but one thing is certain: We could not have done it without you.

FCCI is proud to be your First Choice in Commercial Insurance and we are dedicated to serving your insurance needs in the years to come.

G. W. Jacobs
President and Chief Executive Officer