

Quantitative Market Risk Disclosures

(unaudited — not covered by report of independent accountants)

Quantitative market risk disclosures are only presented for market risk categories when risk is considered material. Materiality is determined based on the fair value of the financial instruments at December 31, 2002, and the potential for near-term losses from reasonably possible near-term changes in market rates or prices.

Other Than Trading Financial Instruments

Financial instruments subject to interest rate risk were:

(millions)	Market Value				
	-200 bps Change	-100 bps Change	Actual	+100 bps Change	+200 bps Change
U.S. Government obligations	\$ 1,730.5	\$ 1,693.4	\$ 1,646.9	\$ 1,602.5	\$ 1,560.1
State and local government obligations	2,170.2	2,070.4	1,976.0	1,888.2	1,806.4
Asset-backed securities	2,666.4	2,610.5	2,550.4	2,485.7	2,408.4
Corporate and other debt securities	1,670.6	1,604.5	1,539.2	1,477.9	1,420.5
Preferred stocks	694.8	676.4	656.7	637.6	619.3
Short-term investments	567.8	567.8	567.8	567.8	567.8
Balance as of December 31, 2002	\$ 9,500.3	\$ 9,223.0	\$ 8,937.0	\$ 8,659.7	\$ 8,382.5
Balance as of December 31, 2001	\$ 7,480.7	\$ 7,208.6	\$ 6,940.4	\$ 6,679.4	\$ 6,427.2

Exposure to risk is represented in terms of changes in fair value due to selected hypothetical movements in market rates. Bonds and preferred stocks are individually priced to yield to the worst case scenario. State and local government obligations, including lease deals and super sinkers, are assumed to hold their prepayment patterns.

Asset-backed securities are priced assuming deal specific prepayment scenarios, considering the deal structure, prepayment penalties, yield maintenance agreements and the underlying collateral. Over 95% of the preferred stocks have mechanisms that are expected to provide an opportunity to liquidate at par.

Financial instruments subject to equity market risk were:

(millions)	Market Value	Hypothetical Market Changes	
		+10%	-10%
Common equities as of December 31, 2002	\$ 1,347.3	\$ 1,482.0	\$ 1,212.6
Common equities as of December 31, 2001 ¹	\$ 1,285.9	\$ 1,414.5	\$ 1,157.3

¹Amount excludes \$50.1 million of term trust certificates.

The model represents the estimated value of the Company's common equity portfolio given a +/- 10% change in the market, based on the common stock portfolio's weighted average beta of 1.0. The beta is derived from recent historical experience, using the S&P 500 as the market surrogate. The historical relationship of the common stock portfolio's beta to the S&P 500 is not necessarily

indicative of future correlation, as individual company or industry factors may affect price movement. Betas are not available for all securities. In such cases, the change in market value reflects a direct +/- 10% change; the number of securities without betas is approximately 5%.

As an additional supplement to the sensitivity analysis, the Company is presenting summarized estimates of the Value-at-Risk (VaR) of the fixed-income and equity portfolios for the following quarterly periods:

(millions)	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002	December 31, 2001
Fixed-income portfolio	\$ (130.9) (1.5)%	\$ (160.2) (1.9)%	\$ (114.6) (1.5)%	\$ (159.3) (2.2)%	\$ (182.8) (2.6)%
Equity portfolio	\$ (146.9) (10.9)%	\$ (154.7) (12.7)%	\$ (107.6) (8.4)%	\$ (95.0) (7.3)%	\$ (101.3) (7.9)%
Total portfolio	\$ (99.8) (1.0)%	\$ (121.8) (1.3)%	\$ (120.2) (1.3)%	\$ (169.5) (2.0)%	\$ (218.3) (2.7)%

The model results represent the maximum expected loss in a one month period at a 95% confidence level. The results are based on 10,000 paths generated using Monte Carlo methodology. Fixed-income securities are priced off simulated term structures, capturing the path-dependency of instruments with embedded options. Equities are priced off a 10 factor model; risk factors include both macroeconomics and industry segment exposures. The variance/covariance matrix is estimated using the last two years (rolling) and

is exponentially-weighted, making the model especially sensitive to recent volatility. The VaR of the total investment portfolio is less than the sum of the two components (fixed income and equity) due to the benefit of diversification.

The VaR exposure of the total investment portfolio decreased 170 basis points from December 31, 2001 to December 31, 2002, primarily reflecting the reduction in the duration of the fixed-income portfolio and a reduction in the volatility of market interest rates.

Trading Financial Instruments At December 31, 2002 and December 31, 2001, the Company did not have any trading securities. During 2002 and 2001, net activity of trading securities was not material to the Company's financial position, cash flows or results of operations. For 2002 and 2001, the Company realized \$0 and \$6.5 million, respectively, of net losses on trading securities.