

Message From the President



Dramas on Wall Street and in Washington DC characterized 2008, impairing everyone in some way. For Sublimity Insurance Company, we found our hard-fought

earnings from operations quickly devoured by the financial crisis that seemed to have no bottom. Looking at it another way, we were able to largely offset our investment losses with positive earnings. There seems to be little question we weathered the country's financial difficulties in far better fashion than most of our peers.

During the year we were able to increase our Direct Written Premium by 8.1%, to \$13.7 million, made an underwriting profit for the sixth year in a row with a 98.2% Combined Ratio, strengthened our staff with three new positions and completed a remodeling project in our building. We were able to minimize a loss of surplus by adhering to the solid business practices that define us: Responsible underwriting, responsive service and plain old hard work.

*The main ingredient of stardom is the rest of the team.* John Wooden

We are looking forward to meeting the challenges ahead and are optimistic we have the right people, talent and resolve to have another successful year.

G. Richer Budke  
President & CEO

Sublimity Insurance Company

STATEMENT OF EARNINGS  
for the year ending December 31

	2008	2007
DIRECT WRITTEN PREMIUM	13,718,377	12,689,231
Reinsurance Cost .....	(2,193,625)	(2,158,702)
NET WRITTEN PREMIUM .....	11,524,752	10,530,529
Unearned premium adjustment .....	(352,376)	(428,464)
NET EARNED PREMIUM .....	11,172,376	10,102,065
BENEFITS TO POLICYHOLDERS (LOSSES) .....	7,608,081	6,377,458
REINSURANCE RECOVERIES (Recoverables) .....	(1,407,237)	(1,125,801)
Net Losses .....	6,200,844	5,251,657
Loss Adjustment Expense .....	1,000,796	837,534
Underwriting (Operating) Expenses .....	3,889,863	3,569,398
TOTAL EXPENSES .....	11,091,503	9,658,589
Earnings from operations .....	80,873	443,476
Earnings from investments (Net) .....	226,734	832,793
Service Charges .....	111,688	95,767
Earnings before income taxes .....	419,295	1,372,036
Provisions for income taxes .....	359,844	439,239
NET EARNINGS .....	59,451	932,797

BALANCE SHEETS  
as of December 31

	2008	2007
<b>ASSETS</b>		
Cash .....	119,975	365,610
Short term investments .....	1,213,487	123,993
Accrued interest and dividends .....	228,090	153,884
Premiums receivable .....	1,950,232	1,691,765
Accounts receivable .....	462,375	468,368
Real estate (Net) .....	729,050	491,922
Bonds less appropriate discount .....	11,727,276	11,588,697
Common and preferred stock .....	1,161,283	1,785,599
Other assets .....	98,835	88,041
TOTAL ASSETS .....	17,690,603	16,757,879
<b>LIABILITIES AND RESERVES</b>		
Accounts Payable .....	188,644	285,123
Loss reserves .....	2,757,194	1,956,228
Loss adjustment expenses .....	633,972	596,520
Ceded reinsurance payable .....	396,703	390,948
Commission payable & contingent commission .....	386,589	389,953
Amounts held on accounts of others .....	309,824	60,355
Unearned premium .....	4,562,837	4,350,153
TOTAL LIABILITIES .....	9,235,763	8,029,280
RESERVE FOR POLICYHOLDER PROTECTION .....	8,454,840	8,728,599
TOTAL LIABILITIES AND RESERVES .....	17,690,603	16,757,879

These condensed financial statements have been derived from expanded financial statements which were prepared in conformity with practices prescribed or permitted by the Insurance Commissioner of the State of Oregon. A copy of the complete annual statement has been filed with the State of Oregon, Department of Business and Consumer Services, Insurance Division, and the Idaho Department of Insurance, and is available for inspection by any policyholder during regular office hours at the Home Office, Sublimity, Oregon.

**HISTORICAL SUMMARY  
OF KEY DATA**

**2004**

Premium Income .....	10,224,723
Net Earnings .....	1,030,694
Assets .....	11,769,751
Capital .....	5,319,080

**2005**

Premium Income .....	10,718,398
Net Earnings .....	1,731,065
Assets .....	13,933,981
Capital .....	7,268,878

**2006**

Premium Income .....	11,028,968
Net Earnings .....	1,174,966
Assets .....	15,706,523
Capital .....	8,272,884

**2007**

Premium Income .....	12,689,231
Net Earnings .....	932,797
Assets .....	16,757,879
Capital .....	8,728,599

**2008**

Premium Income .....	13,718,377
Net Earnings .....	59,451
Assets .....	17,690,603
Capital .....	8,454,840

# Sublimity

Insurance Company

**Directors**

James R. Hay ..... *Chairman of the Board*  
 Ray D. Edwards ..... *Vice-Chairman of the Board*  
 Dennis L. Johnson ..... *Director*  
 G. Richer Budke ..... *Director*  
 Jerome C. Fischer ..... *Director*  
 William L. Bingle ..... *Director*

**Officers**

G. Richer Budke, ARM ..... *President & CEO*  
 Andrew L. Trower, CPCU ..... *Sr. Vice President,  
 Marketing and Underwriting*  
 Eric F. Nichols ..... *Vice President,  
 Information Technology*



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*A member of the  
 United Heritage Financial Group*



# Sublimity

Insurance Company



## 2008 Annual Report

*Serving the  
 Northwest  
 since 1896*

