



Charting a Confident Future

2010 Annual Review



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

To be the most efficient provider of specialized insurance products and services.

~ Vision Statement for Philadelphia Insurance Companies



On the Cover:

Charting a confident future requires persistent discipline, superior capabilities and sound decision making under a strong leadership, especially in extreme weather. As the insurance industry is experiencing a prolonged challenging time, the true soundness of insurance companies is being tested. We, Philadelphia Insurance Companies, are committed to maintaining our discipline, including a prudent pricing strategy, while providing the best products and services to our customers and business partners. Thus, we will lead the industry when the market turns in the near future. We strongly believe that doing the right thing is the only way to succeed.

Welcome aboard. We will weather the storm for you with a premier flagship and take you to your destination with confidence.



Mission Statement

PHLY is a team of motivated, high achievers committed to delivering innovative products and unsurpassed service to niche insurance markets.

By maintaining a disciplined approach to business, we provide greater security for our policyholders and superior value for our shareholder.

We believe that integrity and mutual respect are the foundation of long-term and fulfilling relationships with our employees, customers, and business partners.



“To succeed year after year requires good decision making. Clearly, we have made many good decisions, but more importantly, we have made many hard decisions.”

2010 marked our 48th year in business as a provider of specialized commercial insurance solutions to customers across the U.S. Despite an unrelenting competitive market, I am pleased to announce that we had another successful year in 2010. Through our collective efforts both inside and outside the Company, we surpassed our financial goals and outperformed our peers in virtually all the measurements on which we focus.

Gross written premiums for the year-ended December 31, 2010 increased by 5.1% to \$2,135.5 million from \$2,032.6 million for the year-ended December 31, 2009. The adjusted combined ratio* for the year-ended December 31, 2010 was 89.3% compared to an adjusted combined ratio* of 85.8% for the year-ended December 31, 2009. Our investment portfolio carried an average rating of AA+ and generated \$172 million of income, a 12% increase from 2009.

During 2010, we expanded our Preferred Producer program by 23%, increasing the number of our valued partners to 336 from 273 in 2009. Collaboration with our preferred production sources is critical to our success, especially in this soft market. I thank them for their continued commitment and profitable growth with our Company.

To succeed year after year requires good decision making. Clearly, we have made many good decisions, but more importantly, we have made many hard decisions. By balancing our four operating principles - Profitability, Service Excellence, Risk Management and People and Culture - the hard decisions were made throughout the year and we achieved our goals.

First, 'Profitability' is a major reason for our success. In depressed pricing environments, we will not seek market share for the sake of the top line growth. Our mission is to maintain the highest quality book of business where our customers enjoy stable, competitive pricing with innovative coverages and product-specific enhancements all backed by our superior financial strength. In 2010 we were challenged to achieve this goal with competition remaining fierce in many of our niches. The proactive risk selection efforts by our Marketing and Underwriting professionals enabled us to unearth meaningful opportunities throughout the year and generate above average, profitable growth. Couple this with the use of sophisticated price monitoring and underwriting tools, and we finished the year with enviable results.

*The adjusted combined ratio for 2010 and 2009 excludes the expenses related to the Company's merger with Tokio Marine Holdings, Inc. which increased the combined ratio by 4.0 points and 8.5 points for the yearended December 31, 2010 and 2009, respectively.

From Our Chairman & CEO

Our 'Service Excellence' continues to evolve. To stay ahead of the competition, all of our employees are committed to over delivering on our customers' experiences each and every day. We benchmark and measure our performance within each area of our operations such as quote turnaround, average call wait time and billing accuracy in an effort to continually improve. During 2010 we launched new technology and increased modes of feedback from both inside and outside our Company. Continuous improvement has been a cornerstone of our corporate culture since our Company's founding in 1962. It's not merely a slogan, but a passion felt by all of our dedicated employees across the country. In fact, according to our latest customer survey, more than 97.3% of customers were satisfied with our service and would recommend PHLY to others.



In an ever changing insurance market and a dynamic economy, 'Risk Management' plays a more important role than ever before in providing greater security for our customers, employees, and business partners. Our risk based proactive approach to identifying, measuring, and mitigating unforeseen or excessive risks has contributed to our sustainable growth with best-in-class profitability. Throughout 2010 we continued to allocate the necessary resources needed to uphold our high standards of risk management. Our efforts ranged from investment in advanced Information Technology solutions to selecting quality reinsurance, to extensive training for our employees. In this way, we are best prepared to serve our customers under any circumstances.

Geographic spread and product mix are also essential for effective risk management. We are constantly monitoring our writings in and around coastal and other catastrophe-prone areas to ensure we do not overexpose the Company. When needed, we make the hard decisions to cull business so as to ensure long-term stability for our constituents. In addition, we track competitive trends and will shift our focus to areas affording better opportunities for profitable growth. During 2010 we launched five new products - Chiropractors Professional Liability, Cyber Security Liability, Film Production, Home Medical Equipment Dealers and Temporary Staffing Agencies - and further diversified our product portfolio. We will continue to launch innovative coverages for underserved markets in 2011.

Lastly and most importantly, our success comes from our focus on 'People and Culture.' We seek to attract, develop and retain the best talent in the industry who fit our competitive, disciplined, and goal oriented culture. It is not a coincidence that PHLY received three Best Places to Work awards in 2010, validating our commitment to our employees. We are committed to offering the best for the best; and although our competitors may replicate our products, they cannot copy the passion and dedication of our more than 1,500 professionals across the U.S.

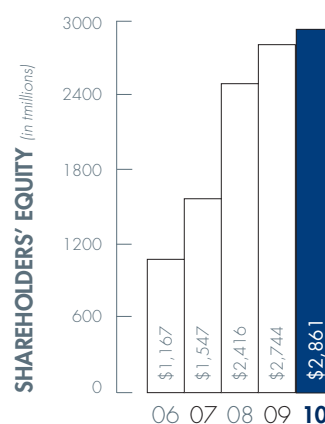
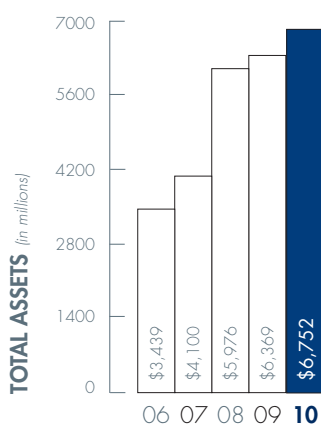
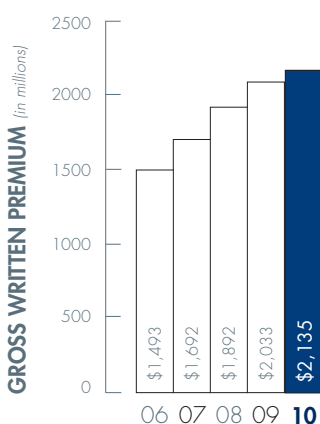
As a member of the Tokio Marine Group, a top-tier global insurance group, we started sharing best practices in various areas such as Marketing, Underwriting, Information Technology, Human Resources, and Risk Management with group companies around the world. As the economy and businesses are becoming increasingly globalized and complex, the global network of Tokio Marine Group will help us provide innovative solutions and greater security for our customers, collectively mobilizing the wisdom and expertise of 29,800 Tokio Marine members serving 40 countries. I thank my Tokio colleagues around the world for their commitment to global excellence and I look forward to building on our successes.

To our employees, customers, and business partners, thank you for your belief in and commitment to PHLY. 2011 will be another challenging year for the entire industry. With a sluggish economy, a changing weather paradigm and ample capital, we must execute with a heightened level of expertise and diligence in order to succeed. The PHLY team of professionals has been through many cycles together and has garnered much wisdom. Integrating this experience with our core values of discipline, perseverance, and integrity, I believe we will sustain this market cycle and maintain our position as an industry leader among U.S. property and casualty insurance companies.

James J. Maguire, Jr.
Chairman & CEO

Financial Highlights

(\$ in thousands)	2010 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽²⁾	2007	2006
Gross Written Premiums	\$2,135,475	\$2,032,619	\$1,891,654	\$1,692,223	\$1,493,248
Net Income	\$ 285,572	\$ 347,118	\$ 161,220	\$ 326,813	\$ 288,849
Total Assets	\$ 6,751,536	\$6,368,675	\$5,976,234	\$4,099,938	\$3,438,537
Shareholder's Equity	\$ 2,861,241	\$2,743,727	\$2,415,973	\$1,547,473	\$1,167,267
Combined Ratio	89.3%	85.8%	87.2%	74.8%	69.0%



(1) Excludes approximately \$76.6 million (\$49.8 million after-tax) and \$152.8 million (\$99.3 million after-tax) of purchase accounting related to the December 1, 2008 merger of Philadelphia Consolidated Holding Corp. with Tokio Marine Holdings, Inc. during 2010 and 2009, respectively. Including the effects of the purchase accounting-related expenses, net income was \$235.8 million and \$247.8 million for 2010 and 2009, respectively, and the combined ratio was 93.3% and 94.3% for 2010 and 2009, respectively. (2) Reflects approximately \$83.1 million (\$62.5 million after-tax) of merger-related expenses related to the December 1, 2008 merger of Philadelphia Consolidated Holding Corp. with Tokio Marine Holdings, Inc.

Honors, Awards & Ratings

Member of Ward's Top 50 (10 Consecutive Years)

Best Places to Work in PA 2010 (4 Consecutive Years)

A+ (Superior) rated by A.M. Best Company

A+ rated by Standard & Poor's for counterparty credit and financial strength

Selected Statutory Basis Financial Data (As of and for the years-ended)

<i>(\$ in thousands)</i>	2010	2009	2008 ⁽¹⁾	2007	2006
STATUTORY INCOME STATEMENT DATA:					
Gross Written Premiums	\$2,130,857	\$2,032,428	\$1,891,162	\$1,692,590	\$1,493,554
Net Written Premiums	\$1,969,363	\$1,876,749	\$1,694,670	\$1,460,001	\$1,283,170
Net Earned Premiums	\$1,923,602	\$1,797,343	\$1,589,809	\$1,379,243	\$1,169,302
Net Investment Income	\$ 172,558	\$ 147,522	\$ 129,322	\$ 113,386	\$ 89,950
Net Realized Investment Gain (Loss)	\$ 11,671	\$ (1,303)	\$ (53,559)	\$ 17,865	\$ (7,057)
Other Income	\$ 207	\$ 2	\$ 65	\$ 252	\$ 325
Total Revenue	\$ 2,108,038	\$1,943,564	\$1,665,637	\$1,510,746	\$1,252,520
Net Loss and Loss Adjustment Expenses	\$1,152,889	\$1,010,357	\$ 877,059	\$ 618,879	\$ 465,894
Acquisition Costs and Other Underwriting Expenses	\$ 582,427	\$ 543,119	\$ 556,815	\$ 429,732	\$ 366,335
Total Losses and Expenses	\$ 1,735,316	\$1,553,476	\$1,433,874	\$1,048,611	\$ 832,229
Income Before Income Taxes	\$ 372,722	\$ 390,088	\$ 231,763	\$ 462,135	\$ 420,291
Total Income Tax Expense	\$ 107,137	\$ 131,012	\$ 91,577	\$ 162,956	\$ 149,416
Net Income	\$ 265,585	\$ 259,076	\$ 140,186	\$ 299,179	\$ 270,875
STATUTORY YEAR-END FINANCIAL POSITION:					
Total Cash and Invested Assets	\$4,599,286	\$4,123,374	\$3,469,705	\$3,039,573	\$2,498,268
Total Admitted Assets	\$5,320,578	\$4,806,824	\$4,129,612	\$3,567,403	\$2,908,800
Liability for Unpaid Loss and Loss Adjustment Expense	\$2,124,371	\$1,792,503	\$1,514,175	\$1,261,936	\$1,095,514
Total Surplus as Regards to Policyholders	\$1,977,595	\$1,803,580	\$1,340,050	\$1,298,786	\$1,007,546
STATUTORY OPERATING RATIOS:					
Net Loss and Loss Adjustment Expenses to Net Earned Premiums	59.9%	56.2%	55.2%	44.9%	39.8%
Underwriting Expenses to Net Written Premiums	29.6%	28.9%	32.9%	29.4%	28.5%
Combined Ratio	89.5%	85.0%	88.0%	74.3%	68.4%
A.M. Best Rating	A+ (Superior)	A+ (Superior)	A+ (Superior)	A+ (Superior)	A+ (Superior)

(1) Reflects approximately \$77.4 million (\$50.3 million after-tax) of merger-related expenses related to the December 1, 2008 merger of Philadelphia Consolidated Holding Corp. with Tokio Marine Holdings, Inc.. These merger-related expenses increased the Underwriting Expenses to Net Written Premiums ratio by approximately 4.6 points.

Philadelphia Consolidated Holding Corp.
(an Insurance Holding Company) and its
Subsidiaries Have Assets of Approximately
\$6.8 Billion as of December 31, 2010.

We design, market and underwrite property and casualty insurance products for niche markets, incorporating value-added coverages and services.

We compete on coverage, customized solutions and consistent pricing, and maintain a disciplined underwriting philosophy.

We approach the market through multiple distribution channels: Preferred Producers, Firemarked Producers, Independent Insurance Producers, Wholesalers and the Internet.

We continuously review and refine our business processes to improve efficiency and the ease of doing business with us.

We seek out the best people, provide opportunities and recognize their achievements.

We partner with local and national charitable organizations to give back to the communities we serve.

We have 46 offices in 13 regions strategically located throughout the United States.



Our Customer Service Declaration

We provide superior financial security for our customers

We offer stable and consistent pricing through all market cycles

We offer the best products with unique coverage enhancements
specifically tailored for the markets we serve

We issue policies and endorsements electronically
in an average of 10 days

Renewal quotations are provided in advance of policy expiration

We answer our phones by the third ring

We provide claims confirmation within 24 hours

We “smile through the phone”

We return emails and phone calls within 1 business day

We want to know how we can do things better
via direct website surveys at PHLY.com

PHLY Insurance Products

Human Services

- Adoption Agencies
- Adult Day Care Centers
- Community Centers
- Group Homes
- Home Health Care
- Homeless/Battered Shelters
- Home Medical Equipment Dealers **NEW!**
- Hospices
- Mental Health Organizations
- Non-Profit Organizations
- Sheltered Workshops
- Social Service Organizations
- Substance Abuse Rehabilitation Facilities
- Thrift Stores
- YMCAs/YWCAs
- Youth Services Organizations (Boys Scouts/Girl Scouts, Boys and Girls Club, etc.)

Public Services

- Child Care Centers
- Libraries
- Municipalities
- Museums
- Pest Control Services
- Religious Organizations/Churches
- Security Services - "The Guardian"
- Temporary Staffing Agencies **NEW!**
- Volunteer Fire Departments
- Water

Habitational

- Affordable Housing
- Apartments
- Condominiums
- Homeowners Associations
- Hotels/Resorts
- Low Income Housing
- Mobile Home Park Owners

Real Estate

- Builders' Risk
- Commercial Real Estate Property Schedules
- Medical Facilities/Hospitals (Property & Auto)
- Nursing Homes (Property & Auto)
- Office Parks
- Shopping Centers

Educational

- Colleges
- Miscellaneous Training Schools
- Schools – Private, Academic, Charter, and Vocational
- Trade Schools

Sports

- Amateur Sports
- Gymnastics
- Motorsports
- Professional Sports
- Special Events – Sports & Recreation
- Sports Camps
- Sports Leagues

Recreation

- Amusement Parks
- Animal Tracks
- Boat Dealers
- Bowling Centers
- Fairs & Fairgrounds
- Family Entertainment Centers
- Festivals
- Film Producers **NEW!**
- Golf & Country Clubs
- Paintball Operations
- Performing Arts Centers

Health & Fitness

- Day Spas
- Health, Fitness & Wellness Studios
- Individual Fitness and Wellness Instructors
- Martial Arts Studios
- Yoga Studios

Outdoor Products

- Agricultural Entertainment
- Archery Ranges
- Backpacking/Hiking
- Bed & Breakfasts
- Camp Operators
- Consulting Foresters
- Cross Country Skiing
- Dude & Guest Ranches
- Fishing & Hunting Lodges
- Guided Tours
- Hunting Leases
- Hunting Preserves
- Guides & Outfitters
- Resorts & Lodges
- Rod & Gun Clubs
- RV Parks & Campgrounds
- Shooting Ranges
- Snowmobile Tours
- Trap, Skeet & Sporting Clay
- Whitewater Rafting Tours

Environmental

- Premises Environmental CoverageSM (PEC)
- Contractor Environmental CoverageSM (CEC)
- Contractor Environmental and Professional CoverageSM (CEPC)

Miscellaneous

- Equipment Breakdown
- Special Events
- Tenant Users Liability Insurance Program (TULIP)
- Antique/Collector Car
- National Flood Program

Management & Professional Liability

- Accountants Professional Liability
- Affinity Pro Portfolio (Trade Associations)
- Allied Health Professionals
- Chiropractors Professional Liability **NEW!**
- Cover-Pro (Professional Liability for Specified Professions)
- Crime Protection Plus

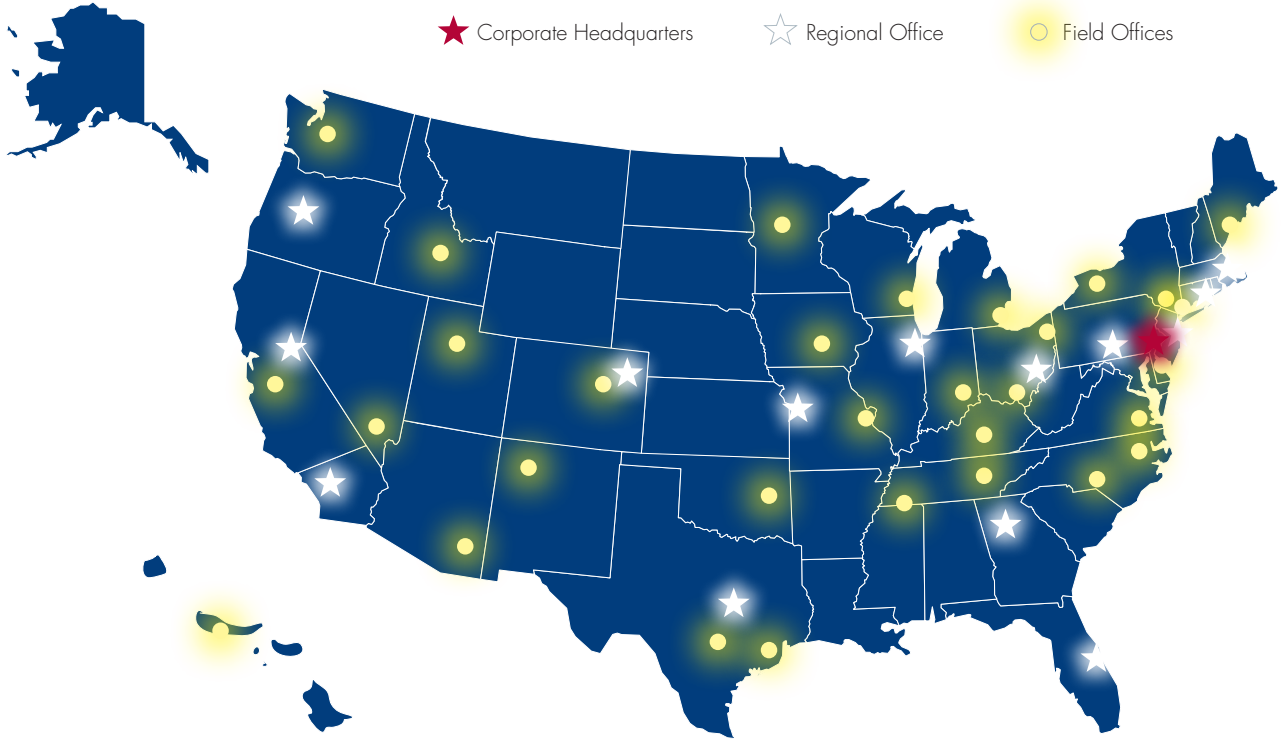
- Cyber Security Liability **NEW!**
- Employed Lawyers
- Employment Practices Liability
- Excess Liability
- Flexi Plus Five (Non Profit D&O)
- Private Company Protection Plus (For Profit D&O)

Commercial Automobile

- Auto Daily Rental
- Business Auto Fleet
- Interim Liability & Physical Damage
- Leasing - Primary Insurance Program

- Lessors Contingent/Excess Liability; Lessors Contingent Physical Damage
- Rental Package
- Travel Plazas

PHLY's National Presence - 46 offices in 13 Regions Covering the U.S.



★ Corporate Headquarters Bala Cynwyd, PA, (800) 873-4552 (610) 617-7940 Fax

Western Territory

Northwest Region
Tigard, OR
(800) 669-9497
(800) 364-6809 Fax

Western Region
Roseville, CA
(800) 846-9484
(866) 458-7695 Fax

Sunbelt Region
Mission Viejo, CA
(800) 994-4121
(949) 582-1425 Fax

Rocky Mountain Region
Littleton, CO
(866) 608-5898
(303) 200-5341 Fax

Central Territory

North Central Region
Naperville, IL
(800) 547-9967
(866) 269-7890 Fax

Ohio Valley Region
Dublin, OH
(877) 521-8234
(866) 890-2509 Fax

Central Region
Independence, MO
(877) 439-7459
(866) 823-1864 Fax

Southwest Region
Addison, TX
(866) 246-5254
(972) 488-8530 Fax

Eastern Territory

Northeast Region
Stoughton, MA
(888) 292-3881
(877) 748-1162 Fax

East Hartford, CT
(860) 528-5913
(860) 610-0471 Fax

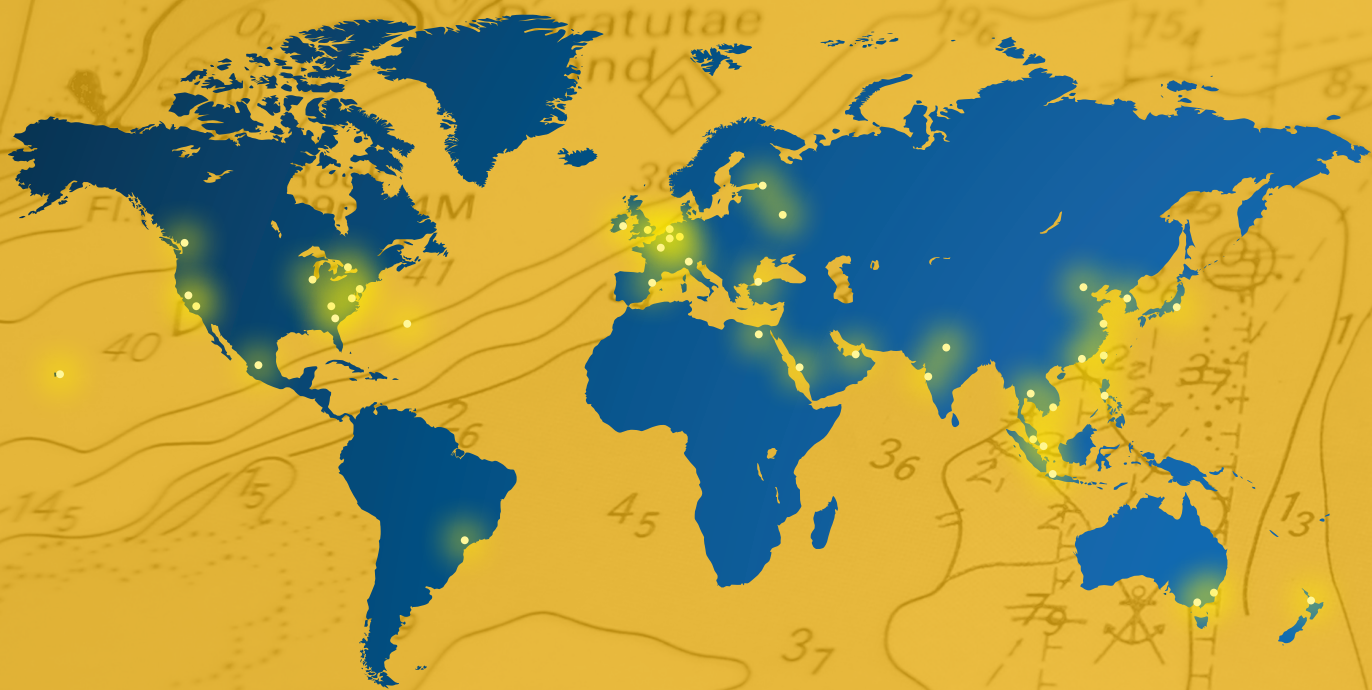
Metro Region
Lawrenceville, NJ
(866) 586-6122
(609) 512-3141 Fax

Mid-Atlantic Region
Harrisburg, PA
(877) 562-2342
(717) 558-7541 Fax

Southeast Region
Kennesaw, GA
(800) 303-1728
(770) 799-3099 Fax

Florida Region
Altamonte Springs, FL
(877) 672-7945
(877) 846-4830 Fax

As a member of the Tokio Marine Group, we are part of one of the most financially solid organizations in the world, with total assets over \$198 billion.



Overseas Office

Locations in 40 countries

Total Personnel

Approximately 29,800

Select Financial Highlights

JAPANESE GAAP BASIS (As of and for the year-ended March 31, 2011)

(in millions of USD)

Net Written Premium	\$ 27,309
Net Income	\$ 864
Total Assets	\$198,662
Net Assets	\$ 22,890

Financial Ratings

(As of May 31, 2011)

A.M. Best A++ Tokio Marine & Nichido Fire

S&P AA- Tokio Marine & Nichido Fire

Moody's Aa2 Tokio Marine & Nichido Fire

Exchange rate is as of March 31, 2011.
\$1 = 83.2 Japanese Yen.

The most updated ratings can be found on the following site:
<http://ir.tokiomarinehd.com/en/RatingInfo.html>





Jamie Maguire (front,center) with other members of TEAMPHLY at the 2011 March of Dimes March and Run for Babies

“Philadelphia Insurance Companies is committed to supporting the communities where we live and work, as strongly as we support our employees and customers.” – Jamie Maguire, Chairman & CEO

Our founder, James J. Maguire Sr., founded Philadelphia Insurance Companies on the idea to provide affordable insurance coverage to the deaf community. This fundamental idea to help an underserved community remains at the core of our corporate culture. As one of the leading providers of insurance for non-profits, Philadelphia Insurance Companies is committed to supporting the communities where we live and work, as strongly as we support our employees and customers.

Our **TEAMPHLY** program encourages everyone to maintain a healthy lifestyle and give back to society. **TEAMPHLY** prepared meals, collected clothing, food and toys, and volunteered their time with dozens of organizations in 2010. During each quarter, employees in our offices across the country participate in these and other volunteer events. In partnership with these organizations, our employees raise money and participate in events to make a difference in their own communities, while representing the spirit of **TEAMPHLY**.

Some of our partners include:

The Children’s Hospital of Philadelphia
American Cancer Society
Challenged Athletes Foundation
Back On My Feet
American Red Cross
Cadence Cycling Foundation

Special Olympics Pennsylvania
Susan G. Komen Foundation
National Transplant Assistance Fund
Marine Corps Toys for Tots
YMCA
Leukemia & Lymphoma Society

GREENPHLY is a team effort by all employees to protect and preserve the environment. We maintain ‘green’ business practices that reduce our environmental impact and help preserve our world for future generations. Between 2009 and 2010, PHLY offices across the U.S. reduced their paper usage by 23.2%. Each year we increase the number of **GREENPHLY** events and educational opportunities for our employees, in an effort to raise awareness and make an impact on our global environment.

Focus on the things that Matter,
We'll Handle the Risk!®



PHILADELPHIA
INSURANCE COMPANIES

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