



.....
INNOVATION
AND
EXECUTION
.....

2008 Annual Review



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

OUR MISSION STATEMENT

- ▣ PHLI 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.

“KAIZEN” 改善 – CONTINUOUS IMPROVEMENT

- ▣ Kaizen is a Japanese word meaning “continuous improvement,” to which PHLI is committed in every aspect of its operations.



ON OUR COVER

Innovation and Execution are at the heart of our success. We develop customized solutions for our customers, then deliver them with unsurpassed service.



ABOUT US...



PHILADELPHIA CONSOLIDATED HOLDING CORP.
(AN INSURANCE HOLDING COMPANY) AND ITS
SUBSIDIARIES HAVE ASSETS OF APPROXIMATELY
\$6.0 BILLION AS OF DECEMBER 31, 2008.

- ▣ We design, market and underwrite property and casualty insurance products for niche markets, with value-added coverages and services.
- ▣ We compete on coverage, customized solutions and consistent pricing, with a disciplined underwriting philosophy.
- ▣ We approach the market through multiple distribution channels: independent insurance producers, wholesalers, Preferred Agents, Firemark Agents and the Internet.
- ▣ We continuously review and refine our business processes to improve efficiency and the ease of doing business with PHLI.
- ▣ 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.

Pictured at top (left to right):

Christopher J. Maguire, COO; Sean S. Sweeney, CMO; James J. Maguire, Chairman;
Shuzo Sumi, President of Tokio Marine Holdings; James J. Maguire, Jr., CEO; Craig P. Keller, CFO

ABOUT US...



PHILADELPHIA INDEMNITY INSURANCE COMPANY

A Pennsylvania-domiciled commercial property and casualty insurance company licensed as an admitted carrier in 50 states and the District of Columbia.

PHILADELPHIA INSURANCE COMPANY

A Pennsylvania-domiciled commercial property and casualty insurance company licensed in Pennsylvania as an admitted carrier, and approved in 49 states, the District of Columbia and the U.S. Virgin Islands as a surplus lines insurer.

MAGUIRE INSURANCE AGENCY, INC.

A captive underwriting manager founded in 1962 by James J. Maguire, PHLY's Chairman. The underwriting manager produces insurance primarily for the account of Philadelphia Indemnity Insurance Company and Philadelphia Insurance Company.

VALLEY FORGE INSURANCE BROKERAGE, INC.

A wholesale brokerage operation specializing in difficult to place business, and offering coverage solutions to round out product offerings for Philadelphia Indemnity Insurance Company and Philadelphia Insurance Company, such as workers' compensation insurance.

LIBERTY AMERICAN INSURANCE GROUP

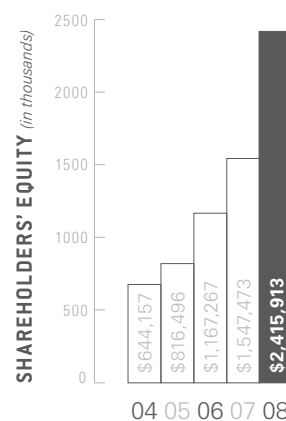
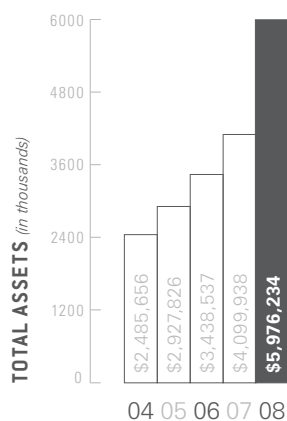
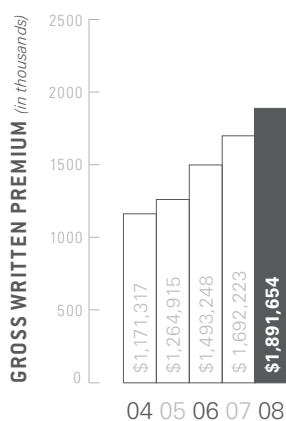
Includes Liberty American Insurance Group Inc., a Florida-domiciled holding company; Liberty American Insurance Services, a Florida-domiciled personal lines managing general agency; Liberty American Select Insurance Company ("Select") and Liberty American Insurance Company, which are Florida-domiciled personal lines property and casualty insurance companies. Select is also licensed as an admitted carrier in 10 other states.

TOKIO MARINE HOLDINGS, INC.

Tokio Marine Holdings, Inc. ("TMHD") is an insurance holding company and, with its subsidiaries, is a top-tier global insurance group with approximately 28,000 employees in 36 countries. TMHD is ranked in the Top 10 life/non-life insurance company groups in the world based upon its market capitalization. TMHD wholly owns Tokio Marine & Nichido Fire Insurance Co. Ltd., which is Japan's oldest and largest property and casualty insurer in terms of revenue, and is the parent company of Philadelphia Consolidated Holding Corp.

SELECTED FINANCIAL HIGHLIGHTS (US GAAP Basis) (As of and for the years ended December 31, 2008)

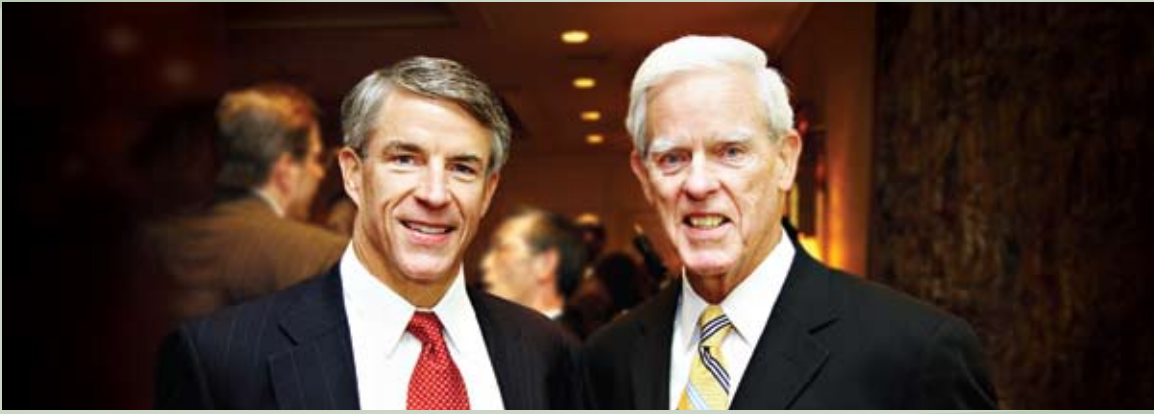
<i>(in thousands)</i>	2008 ⁽¹⁾	2007	2006	2005	2004
Gross Written Premium	\$ 1,891,654	\$ 1,692,223	\$ 1,493,248	\$ 1,264,915	\$ 1,171,317
Net Income	\$ 161,220	\$ 326,813	\$ 288,849	\$ 156,688	\$ 83,683
Total Assets	\$ 5,976,234	\$ 4,099,938	\$ 3,438,537	\$ 2,927,826	\$ 2,485,656
Shareholders' Equity	\$ 2,415,913	\$ 1,547,473	\$ 1,167,267	\$ 816,496	\$ 644,157
Combined Ratio	87.2%	74.3%	68.3%	78.1%	88.7%



⁽¹⁾ 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
- ▣ Best Places to Work in PA 2008
- ▣ A+ (Superior) rated by A.M. Best Company
- ▣ AA – rated by Standard & Poor's for counterparty credit and financial strength



- 1962 – Founded Maguire Insurance Agency, Inc.
- 1986 – Acquired Philadelphia Insurance Company.
- 1990 – Formed Philadelphia Indemnity Insurance Company.
- 1993 – Raised \$41.9 million in IPO.
- 1999 – Acquired Liberty American Insurance Group.
- 2006 – Acquired Grundy Worldwide (Collector Vehicles).
- 2007 – Acquired Fitness & Wellness Agency, Inc.
- 2008 – Acquired Gillingham & Associates (Outdoor Insurance Program).
- 2008 – Merged with the Tokio Marine Group.

THE MERGER WITH TOKIO MARINE WAS BASED ON FOUR PRIMARY FACTORS:

1. Enhanced financial stability
2. Compatible cultures
3. Increased global presence
4. Stable management structure at PHLY after the merger

LETTER TO OUR CUSTOMERS, PRODUCERS & PARTNERS...

2008 was the Company's 47th year in business and marked another milestone in PHLY's history. On December 1st, after nearly 16 years as a U.S. publicly held company, we agreed to become a member of the Tokio Marine Group headquartered in Tokyo, Japan. Ranked as one of the largest global insurers in terms of assets and market capitalization, Tokio Marine has been assigned top-ranked ratings from S&P, Moody's and A.M. Best, and has a winning culture much like PHLY's. We couldn't have hoped for a better business partnership.

From a financial standpoint, 2008 was another banner year for PHLY. In the face of an increasingly competitive marketplace, we posted growth in gross written premiums of 12% to just shy of \$1.9 billion, and a combined ratio of 87.2% (84.1% excluding the merger-related transaction expenses). Net income, which included \$62.5 million of after-tax merger-related transaction expenses, was \$161.2 million (\$223.7 million excluding the merger-related transaction expenses).

HISTORY OF PHLY...

1962 – Maguire Insurance Agency, Inc. founded

1986 – Philadelphia Insurance Company acquired

1981 – Maguire Holding Corp. ("MHC") incorporated

Jamie Maguire, Jr.

“BELIEVE WHAT YOU CAN BE, THEN BECOME WHAT YOU BELIEVE.”

James J. Maguire

“GOOD THINGS HAPPEN IF YOU SHOW UP EVERY DAY!”

Profitable growth occurred across most of our product lines with the following core products contributing significant premium during the year:

- ▣ Nonprofit/Social Service
- ▣ Condominium Association
- ▣ Management Liability
- ▣ Professional Liability
- ▣ Mental Health Facilities

In addition, the following new products contributed exceptional premium growth in 2008:

- ▣ Affordable Housing
- ▣ Guides & Outfitters
- ▣ Campground & RV Parks
- ▣ Home Health Care

Consistent with our goal of introducing a minimum of three new products each year, during 2008 we launched the following new products:

- ▣ Environmental Insurance
- ▣ Pest Control Package
- ▣ *Guardian*, insurance package for Security Guards

As a result of our 49 offices across the U.S., commercial premium production and annual growth was geographically balanced within our territories as follows:

- ▣ Western Territory – **\$434 million, 18%**
- ▣ Mid-West Territory – **\$512 million, 9%**
- ▣ Eastern Territory – **\$745 million, 12%**
- ▣ Florida – **\$81 million, -12%**
- ▣ All Other – **\$62 million, 82%**

Our *Grundy* Collector Vehicle business, which is the primary contributor to our “All Other” premium production, has shown steady, profitable growth since its acquisition in 2006. Also, during the year, we continued to control our exposures in Florida to mitigate the potential impact from hurricanes as well as the associated costly reinsurance.

1990 – Philadelphia Indemnity Insurance Company formed

1996 – Preferred Agent Program introduced

1993 – MHC renamed Philadelphia Consolidated Holding Corp.

1993 – \$41.9 mm raised in IPO

Environmental Insurance aids in rounding out our product offerings in existing niches with environmental exposures. This business is currently being written on an excess & surplus lines basis, and will transition to admitted paper as filings are approved during 2009. The Pest Control and Security Guard products further diversify our product portfolio and open doors to new production sources across the country.

During 2008 our Preferred Agents increased to 248, an 18% growth rate. The Preferred Agents are our “preferred” production sources across the U.S. and account for approximately 20% of our gross written premiums.

“We remain committed to these valuable partners through profit sharing, sales support and dedicated claims support, while they focus on our mutual goal of risk selecting to accomplish long-term underwriting stability.”

In addition, we grew our Firemark Agent program (precursor to Preferred Agent status) to over 450 agencies. Growing and enhancing our production relationships is integral to achieving our goals.

In addition to extending our reach among production sources, we continued to broaden our outreach as a caring corporate citizen by partnering with many local and national charities addressing such challenges as cancer research, child abuse/neglect and homelessness, as well as many other societal challenges. Additionally, we launched the GreenPHLY initiative with the goal of protecting and preserving our environment. Already, paperless processes have been implemented throughout the Company that have yielded reductions in our carbon footprint. We believe that with success comes responsibility, and we strive to make a meaningful difference through our actions and our support.

We finished the year with 1,462 professionals, all of whom aspired to excellence and execution in our plan of profitable growth. \$1.3 million of premium was generated per employee, a measure of efficiency which outranks many of our peer companies. We are very fortunate to partner with winners both inside and outside our Company. Our success has come as a result of partnering with the best, and then working together in tireless pursuit of our goals and objectives.

2009 will unquestionably be a year filled with change and, as a result, many opportunities. With the strength of our new parent company, Tokio Marine, we are confident that we are better positioned now than ever before to capitalize on these opportunities and take PHL Y to the next level. Thank you to our employees, Preferred Agents, business partners and new shareholder for your confidence and your commitment to our Company.

Sincerely,

James J. Maguire, Jr.

President & Chief Executive Officer

James J. Maguire

Chairman & Founder

1997 – PHL Y named by *Forbes* one of 200 best small Companies in America

2001 – \$119.6 mm raised in 3rd Public Offering

1998 – A.M. Best A+ (Superior) rating received

1998 – \$106.7 mm raised in 2nd Public Offering

SWARM STRATEGY FOR ULTIMATE SALES EXECUTION



- ▣ Swarm the marketplace with professional introduction to our products via half a million telemarketing prospecting calls and multi-personnel agency visits from marketing, underwriting, claims and loss control.
- ▣ Increase presence at product fairs, open houses, trade shows and industry events.
- ▣ Partnership with Tokio Marine gives the financial strength and international presence to handle large multinational accounts.

- ▣ Be "everywhere all the time," highlighting the following message:

Financial Strength and Stability – outstanding risk pool

Superior Product Offering – 10 Reasons Why consistently differentiates our products

Outstanding Customer Service – 100% paperless policy issuance and endorsement processing in 10 days or less

Superior Value – competitive premiums rewarded to outstanding risks based on a history of low claim frequency and severity

EVERY PLACEMENT DECISION WHICH BROKERS MAKE SHOULD BE BASED ON THE ABOVE FOUR CRITERIA — AND WE NEED TO SWARM THE MARKETPLACE WITH THIS MESSAGE!

OUR NEW PRODUCTS

Environmental – PHLY's Premises Environmental product provides comprehensive environmental coverage for all exposures faced by golf and country clubs, hospitals, public entities, schools and zoos, among others. Key benefits include coverage for risks associated with the handling and storage of fuels, chemicals, fertilizers, herbicides and pesticides; coverage for costs expended to clean up contamination discovered on-site; and coverage for both sudden and gradual contamination events.

Pest Control – Eligible classes include pest control operators specializing in residential, commercial and industrial buildings who have a minimum of four years in the industry and a workforce of fewer than 50 employees. The pest control product offers comprehensive coverage for General Liability, Property, Umbrella/Excess Liability Automobile, Directors and Officers Liability, and Crime and Fidelity. Pollution Liability is available for the storage and transportation of pesticides. Coverage is provided on an admitted basis in most states.

Security Services – PHLY's product in the security services industry, the "Guardian," is a total insurance solution for the security services industry. Eligible classes include armed and unarmed security services, alarm monitoring and installation services, security consultants, armored car services and personal security for executives.

● 2003 – National Processing Center established

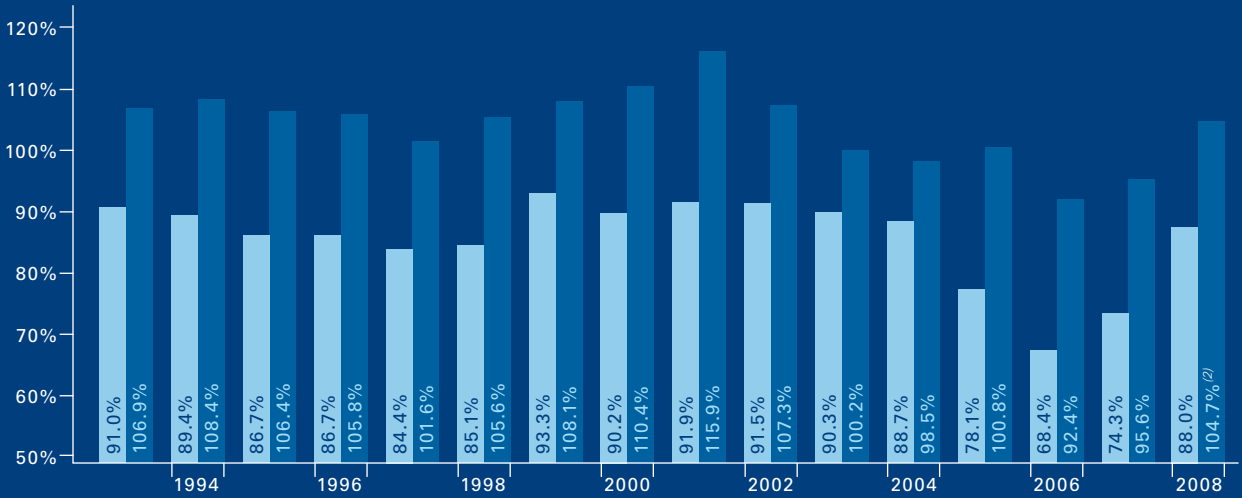
● 2002 – Jamie Maguire appointed CEO

● 2006 – Acquired Grundy Worldwide (Collector Vehicles)

PHLY VS. INDUSTRY STATUTORY COMBINED RATIO⁽¹⁾ DATA

“SUPERIOR RISK POOL”

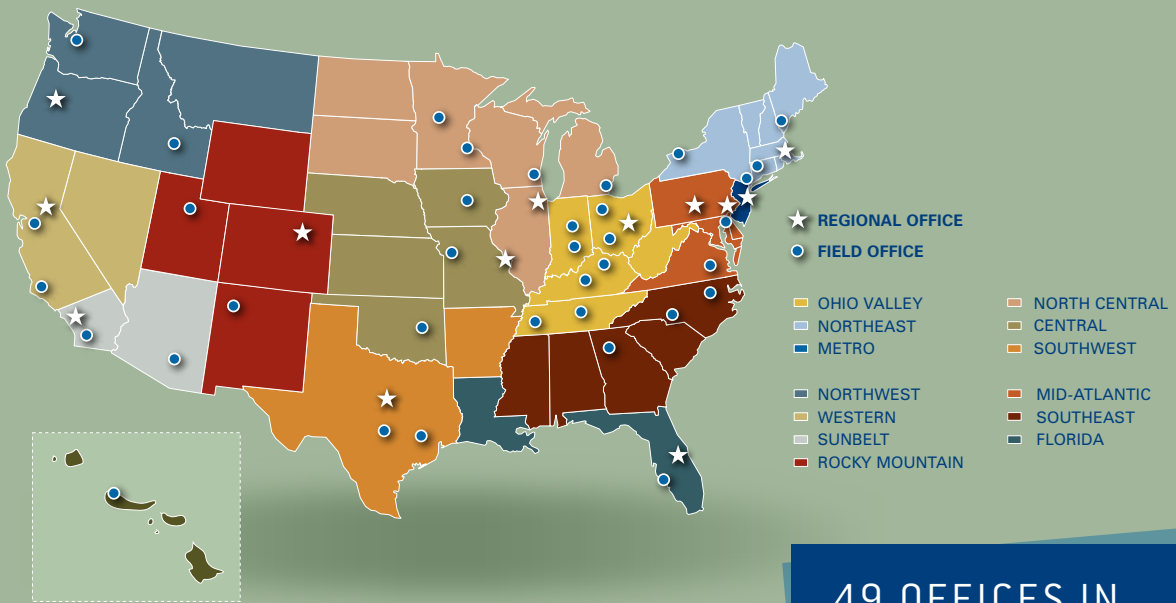
■ PHLY ■ Industry



Source: A.M. Best

¹⁾ Statutory combined ratio calculated after policyholder dividends. ²⁾ 2008 Industry combined ratio data estimated.

NATIONAL PRESENCE / CUSTOMER FOCUSED



49 OFFICES IN...
13 REGIONS
 COVERING THE U.S.

2007 – Acquired Fitness & Wellness Agency, Inc.

2008 – Merged with Tokio Marine Holdings, Inc.

2008 – Acquired Gillingham & Associates (Outdoor Insurance Program)

★ 2009 – S&P AA- rating received

TOKIO MARINE HOLDINGS, INC.



Overseas Offices

Locations in **399** cities
in **36** countries and regions

Total Personnel

Approximately **28,000**

SELECTED FINANCIAL HIGHLIGHTS

JAPANESE GAAP BASIS (As of and for the year ended March 31, 2009)

(In millions of USD)

Net Written Premium	\$ 21,727
Net Income	\$ 236
Total Assets	\$ 155,200
Net Assets	\$ 16,691

FINANCIAL RATINGS

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, 2009.
\$1=98.23 Japanese Yen.

FOR MORE INFORMATION, PLEASE GO TO [HTTP://WWW.TOKIOMARINEHD.COM/EN/INDEX.HTML](http://www.tokiomarinehd.com/en/index.html)

SELECTED STATUTORY BASIS FINANCIAL DATA (As of and for the years ended December 31, 2008)

<i>(In thousands)</i>	2008 ⁽¹⁾	2007	2006	2005	2004
STATUTORY INCOME STATEMENT DATA:					
Gross Written Premiums	\$ 1,891,162	\$ 1,692,590	\$ 1,493,554	\$ 1,261,605	\$ 1,172,999
Net Written Premiums	1,694,670	1,460,001	1,283,170	1,107,460	919,152
Net Earned Premiums	1,589,809	1,379,243	1,169,302	976,647	773,187
Net Investment Income	129,322	113,386	89,950	63,495	47,320
Net Realized Investment Gain (Loss)	(53,559)	17,865	(7,057)	7,129	(255)
Other Income	65	252	325	(1,055)	(4,429)
Total Revenue	\$ 1,665,637	\$ 1,510,746	\$ 1,252,520	\$ 1,046,216	\$ 815,823
Net Loss and Loss Adjustment Expenses	877,059	618,879	465,894	505,891	476,105
Acquisition Costs and Other Underwriting Expenses	556,815	429,732	366,335	291,182	249,540
Total Losses and Expenses	\$ 1,433,874	\$ 1,048,611	\$ 832,229	\$ 797,073	\$ 725,645
Income Before Income Taxes	231,763	462,135	420,291	249,143	90,178
Total Income Tax Expense	91,577	162,956	149,416	93,621	37,758
Net Income	\$ 140,186	\$ 299,179	\$ 270,875	\$ 155,522	\$ 52,420
STATUTORY YEAR-END FINANCIAL POSITION:					
Total Cash and Invested Assets	\$ 3,469,705	\$ 3,039,573	\$ 2,498,268	\$ 1,991,804	\$ 1,569,640
Total Assets	4,129,612	3,567,403	2,908,800	2,382,193	1,891,951
Liability for Unpaid Loss and Loss Adjustment Expense	1,514,175	1,261,936	1,095,514	942,145	672,870
Total Surplus as Regards to Policyholders	1,340,050	1,298,786	1,007,546	691,038	503,657
STATUTORY OPERATING RATIOS:					
Net Loss and Loss Adjustment Expenses to Net Earned Premiums	55.2%	44.9%	39.8%	51.8%	61.6%
Underwriting Expenses to Net Written Premiums	32.9%	29.4%	28.5%	26.3%	27.1%
Combined Ratio	88.0%	74.3%	68.4%	78.1%	88.7%
A.M. Best Rating ⁽²⁾	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.

⁽²⁾ As of September 30, 2004, the Company's four insurance subsidiaries were rated A+ (Superior) by A.M. Best Company. Effective October 1, 2004, the Company's four insurance subsidiaries entered into a new intercompany reinsurance pooling arrangement. Two of the insurance subsidiaries, Philadelphia Indemnity Insurance Company and Philadelphia Insurance Company, entered into an intercompany reinsurance pooling arrangement which included substantially all of the Company's commercial and specialty lines business. The Company's two other insurance subsidiaries, Liberty American Select Insurance Company and Liberty American Insurance Company, also entered into an intercompany reinsurance pooling arrangement which substantially included all of the Company's personal lines business. As a result of this arrangement, A.M. Best Company assigned an A- (Excellent) rating to these two companies. The rating of Philadelphia Indemnity Insurance Company and Philadelphia Insurance Company remained at A+.

PHLY'S 2008 CHARITABLE INVOLVEMENT



With good fortune comes responsibility, so we endeavor to give back to the communities we serve. Here are just a few ways we try to give back:

Through TeamPHLY and as a corporate sponsor of the Philadelphia Insurance Triathlon and the Parkway Run, we promote healthy living and wellness in our city and among our employees. The Children's Hospital of Philadelphia benefits from all the sponsors and race participants to help fund research to cure pediatric cancer. We participate in Special Olympics' keynote events across the country through many of our regional offices. Our involvement and support motivates those with disabilities to achieve their athletic goals. Lastly, in conjunction with the Salvation Army, we coordinate a holiday gift program to donate gifts to selected local charities for children and parents in need. Always mindful of our humble beginnings, we remain committed to supporting those in need.

PHLY'S 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 web site surveys at PHLy.com*



PHILADELPHIA INSURANCE COMPANIES
A Member of the Tokio Marine Group

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

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green 
ANNUAL REPORT

Philadelphia Insurance Companies saved the following resources by producing this Green Publication:



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Product group from well-managed
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2 trees
preserved for
the future



5 lbs water-
borne waste
not created



713 gals
wastewater
flow saved



79 lbs solid
waste not
generated



155 lbs net
greenhouse
gases
prevented



1,188,810
million BTUs
energy not
consumed