FORM 8-K/A

Current report filing [amend]

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FILER

OHIO CASUALTY CORP

CIK:**73952**| IRS No.: **310783294** | State of Incorp.:**OH** | Fiscal Year End: **1231**
Type: **8-K/A** | Act: **34** | File No.: **000-05544** | Film No.: **99573649**
SIC: **6331** Fire, marine & casualty insurance

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 16, 1999

Commission File Number 0-5544

OHIO CASUALTY CORPORATION
(Exact name of registrant as specified in its charter)

OHIO	31-0783294
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
136 North Third Street, Hamilton, Ohio	45025
(Address of principal executive offices)	(Zip Code)

(513) 867-3000
(Registrant's telephone number)

Not Applicable
(Former name or former address, if changed since last report)

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OHIO CASUALTY CORPORATION

FORM 8-K/A

Dated: March 26, 1999 (February 16, 1999)

CURRENT REPORT ON FORM 8-K

Dated: February 16, 1999

Ohio Casualty Corporation (the "Company") hereby amends its Current Report on Form 8-K dated February 16, 1999 to include amended consolidated financial statements of Ohio Casualty Corporation along with amended Notes to Consolidated Financial Statements.

ITEM 5. Other Events

The consolidated financial statements of Ohio Casualty Corporation and Subsidiaries for the year ended December 31, 1998, together with the Notes to Consolidated Financial Statements filed as Exhibit 20.1 through 20.5 and the Report of Independent Accountants filed as Exhibit 20.6 to this Current Report on Form 8-K/A is incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Designation	Description
Exhibit 20.1	Ohio Casualty Corporation and Subsidiaries Consolidated Balance Sheet for the year ended December 31, 1998
Exhibit 20.2	Ohio Casualty Corporation and Subsidiaries Statement of Consolidated Income for the year ended December 31, 1998
Exhibit 20.3	Ohio Casualty Corporation and Subsidiaries Statement of Consolidated Shareholders' Equity for the year ended December 31, 1998
Exhibit 20.4	Ohio Casualty Corporation and Subsidiaries Statement of Consolidated Cash Flows for the year ended December 31, 1998
Exhibit 20.5	Ohio Casualty Corporation and Subsidiaries Notes to Consolidated Financial Statements for the year ended December 31, 1998
Exhibit 20.6	Report of Independent Accountants
Exhibit 23	Consent of Independent Accountants

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OHIO CASUALTY CORPORATION
(Registrant)

March 26, 1999

/s/ Barry S. Porter

Barry S. Porter, CFO/Treasurer
(on behalf of Registrant and as
Principal Accounting Officer)

EXHIBIT INDEX

Current Report on Form 8-K/A
Dated March 26, 1999

OHIO CASUALTY CORPORATION

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EXHIBIT 20.1

Ohio Casualty Corporation & Subsidiaries
CONSOLIDATED BALANCE SHEET
<TABLE>
<CAPTION>

December 31 (in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Assets			
Investments:			
Fixed maturities:			
Available for sale, at fair value (Cost: $2,307,734; $2,112,291; $2,225,517)	$2,415,904	$2,226,030	$2,310,938
Equity securities, at fair value (Cost: $245,129; $275,637; $297,727)	924,906	859,475	721,152
Short-term investments, at fair value (Cost: $262,939; $65,849; $41,546)	262,863	65,849	41,546
Total investments	3,603,673	3,151,354	3,073,636
Cash	42,139	54,206	20,078
Premiums and other receivables, net of allowance for bad debts of $8,739, $4,200 and $3,700, respectively	301,943	193,615	186,676
Deferred policy acquisition costs	176,606	126,063	116,684
Property and equipment, net of accumulated depreciation of $97,991, $87,232 and $77,427, respectively	80,065	50,699	42,239
Reinsurance recoverable	186,861	108,962	362,683
Goodwill, net of accumulated amortization of $1,031, $0 and $0, respectively	308,206	0	0
Other assets	102,771	93,883	87,985
Total assets	$4,802,264	$3,778,782	$3,889,981
Liabilities			
Insurance reserves:			
Unearned premiums	$ 668,550	$ 495,076	$ 491,613
Losses	1,580,599	1,176,614	1,224,873
Loss adjustment expenses	376,340	307,193	331,797
Future policy benefits	25,518	34,148	280,002
Note payable	265,000	40,000	50,000
California Proposition 103 reserve	48,043	66,908	74,376
Deferred income taxes	140,730	95,389	27,993
Other liabilities	376,503	248,625	234,227
Total liabilities (See Notes 1 and 8)	3,481,283	2,463,953	2,714,881
Shareholders' Equity			
Common stock, $.125 par value	5,850	5,850	5,850
Authorized: 150,000,000 shares			

Issued shares: 46,803,872			
Additional paid-in capital	4,186	3,923	3,603
Common stock purchase warrants	21,138	0	0
Accumulated other comprehensive income:			
Unrealized gain on investments, net of applicable income taxes	511,816	454,241	332,042
Retained earnings	1,185,349	1,158,308	1,076,545
Treasury stock, at cost (Shares: 15,535,089; 13,182,240; 11,662,559)	(407,358)	(307,493)	(242,940)
Total shareholders' equity	1,320,981	1,314,829	1,175,100
Total liabilities and shareholders' equity	$4,802,264	$3,778,782	$3,889,981

</TABLE>

See notes to consolidated financial statements

Exhibit 20.2

Ohio Casualty Corporation & Subsidiaries
STATEMENT OF CONSOLIDATED INCOME

<TABLE>
<CAPTION>

Year ended December 31 (in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Premiums and finance charges earned	$1,268,824	$1,208,974	$1,226,651
Investment income less expenses	169,024	177,700	183,308
Investment gains realized, net	14,411	50,749	49,672
Total revenues	1,452,259	1,437,423	1,459,631
Losses and benefits for policyholders	805,020	751,207	812,234
Loss adjustment expenses	115,253	113,435	118,354
General operating expenses	120,304	103,299	100,939
Amortization of goodwill	1,031	0	0
Amortization of deferred policy acquisition cost	316,516	303,494	308,856
Restructuring charge	10,000	0	0
California Proposition 103 reserve, including interest	(18,865)	(7,469)	4,210
Total expenses	1,349,259	1,263,966	1,344,593
Income from continuing operations before income taxes	103,000	173,457	115,038
Income taxes			
Current	6,258	44,263	10,173
Deferred	13,731	(1,198)	7,637
Total income taxes	19,989	43,065	17,810
Income before discontinued operations	83,011	130,392	97,228
Income from discontinued operations net of taxes of $1,028, $4,661 and $2,633, respectively (See Note 20)	1,916	8,655	5,229
Net income	$ 84,927	$ 139,047	$ 102,457

Other comprehensive income, net of tax:
Net change in unrealized gains (losses), net of

income tax expense of $31,002, $65,882 and $13,304, respectively	57,575	122,199	26,993
Comprehensive income (See Note 12)	142,502	261,246	129,450
Average shares outstanding - basic	32,904	34,228	35,247
Average shares outstanding - diluted	32,935	34,257	35,254
Earnings per share (basic and diluted):			
Income from continuing operations, per share	$ 2.52	$ 3.81	$ 2.76
Income from discontinued operations, per share	0.06	0.25	0.15
Net income, per share	$ 2.58	$ 4.06	$ 2.91

</TABLE>

See notes to consolidated financial statements

EXHIBIT 20.3

Ohio Casualty Corporation & Subsidiaries
STATEMENT OF CONSOLIDATED
SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(in thousands)	Common stock	Additional paid-in capital	Common stock purchase warrants	Accumulated other comprehensive income	Retained earnings	Treasury stock	Total shareholders' equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996	$ 5,850	$ 3,422	$ 0	$ 305,049	$1,030,468	$ (233,775)	$1,111,014
Unrealized gain				40,297			40,297
Deferred income tax on net unrealized gain				(13,304)			(13,304)
Net issuance of treasury stock under stock option plan and by charitable donation (9,786 shares)		181				3	184
Repurchase of treasury stock (264,600 shares)						(9,168)	(9,168)
Net income					102,457		102,457
Cash dividends paid ($1.60 per share)					(56,380)		(56,380)
Balance, December 31, 1996	$ 5,850	$ 3,603	$ 0	$ 332,042	$1,076,545	$ (242,940)	$1,175,100
Unrealized gain				188,081			188,081
Deferred income tax on net unrealized gain				(65,882)			(65,882)
Net issuance of treasury stock under stock option plan and by charitable donation (25,007 shares)		320			172	305	797
Repurchase of treasury stock (1,544,688 shares)						(64,858)	(64,858)
Net income					139,047		139,047
Cash dividends paid ($1.68 per share)					(57,456)		(57,456)
Balance, December 31, 1997	$ 5,850	$ 3,923	$ 0	$ 454,241	$1,158,308	$ (307,493)	$1,314,829
Unrealized gain				88,577			88,577
Deferred income tax on net unrealized gain				(31,002)			(31,002)
Net issuance of treasury stock under stock option plan and by charitable donation (10,051 shares)		263				126	389
Repurchase of treasury stock (2,362,900 shares)						(99,991)	(99,991)
Issuance of warrants			21,138				21,138
Net income					84,927		84,927
Cash dividends paid ($1.76 per share)					(57,886)		(57,886)
Balance, December 31, 1998	$ 5,850	$ 4,186	$ 21,138	$ 511,816	$1,185,349	$ (407,358)	$1,320,981

</TABLE>
See notes to consolidated financial statements

Ohio Casualty Corporation & Subsidiaries   Exhibit 20.4
STATEMENT OF CONSOLIDATED CASH FLOWS

<TABLE>
<CAPTION>

Year ended December 31 (in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from:			
Operations			
Net income	$ 84,927	$ 139,047	$ 102,457
Adjustments to reconcile net income to cash from operations:			
Changes, net of effect of acquisition:			
Insurance reserves	(8,051)	(315,255)	(169,006)
Income taxes	(978)	10,691	8,238
Premiums and other receivables	9,983	(6,939)	9,500
Deferred policy acquisition costs	(13,171)	(9,379)	3,111
Reinsurance recoverable	(77,899)	253,720	83,484
Other assets	(6,418)	(22,339)	775
Other liabilities	52,440	20,677	(18,442)
California Proposition 103 reserves	(18,865)	(7,469)	4,209
Amortization of goodwill	1,031	0	0
Depreciation and amortization	15,902	16,035	12,388
Investment (gains) losses	(14,339)	(52,382)	(50,674)
Net cash from operations	24,562	26,407	(13,960)
Investing			
Purchase of securities:			
Fixed income securities - available for sale	(467,295)	(351,393)	(539,690)
Equity securities	(32,502)	(66,433)	(74,243)
Proceeds from sales:			
Fixed income securities - available for sale	425,355	342,193	501,394
Equity securities	51,217	144,688	122,970
Proceeds from maturities and calls:			
Fixed income securities - available for sale	136,066	103,165	101,970
Equity securities	21,848	10,013	6,702
Property and equipment:			
Purchases	(40,642)	(18,968)	(7,340)
Sales	517	702	952
Cash paid in acquisition of business, net of cash acquired	(1,082)	0	0
Net cash from investments	93,482	163,967	112,715
Financing			
Note payable:			
Borrowing	230,000	0	0
Repayment	(5,000)	(10,000)	(10,000)
Proceeds from exercise of stock options	1	371	135
Purchase of treasury stock	(100,212)	(64,858)	(9,168)
Dividends paid to shareholders	(57,886)	(57,456)	(56,380)
Net cash from financing	66,903	(131,943)	(75,413)

Net change in cash and cash equivalents	184,947	58,431	23,342
Cash and cash equivalents, beginning of year	120,055	61,624	38,282
Cash and cash equivalents, end of year	$ 305,002	$ 120,055	$ 61,624
Additional disclosures:			
Interest paid	$ 3,547	$ 3,147	$ 3,769
Income taxes paid	21,805	37,035	16,336

</TABLE>
See notes to consolidated financial statements

Exhibit 20.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts in thousands, except share data, unless otherwise stated)

NOTE 1 -- ACCOUNTING POLICIES

A. Nature of Business

Ohio Casualty Corporation is a property and casualty insurer whose primary products consist of insurance for personal auto, commercial property, homeowners, workers' compensation and other miscellaneous lines. The Corporation operates through the independent agency system in over 40 states. Of net premium written, approximately 16.6% was generated in the State of New Jersey, 11.3% in Ohio and 9.1% in Kentucky.

B. Principles of Consolidation

The consolidated financial statements have been prepared on the basis of generally accepted accounting principles and include the accounts of Ohio Casualty Corporation and its subsidiaries. The results of operations of the acquisition of certain assets and liabilities of the Great American Insurance Company Commercial Lines Division ("GAI") have been included in the consolidated financial statements of the Corporation since the date of acquisition, December 1, 1998 (See Note 14). All significant inter-company transactions have been eliminated. All dollar amounts except share and per share data are in thousands of dollars.

C. Investments

Investment securities are classified upon acquisition into one of the following categories:

(1) held to maturity securities
(2) trading securities
(3) available for sale securities

Available for sale securities are those securities that would be available to be sold in the future in response to liquidity needs, changes in market interest rates, and asset-liability management strategies, among others. Available for sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity, net of deferred tax. Equity securities are carried at quoted market values and include non-redeemable preferred stocks and common stocks. Fair values of fixed maturities and equity securities are determined on the basis of dealer or market quotations or comparable securities on which quotations are available.

Short-term investments include commercial paper and notes with original maturities of 90 days or less and are stated at fair value. Short-term investments are deemed to be cash equivalents.

Realized gains or losses on disposition of investments are determined on the basis of specific cost of investments.

D. Premiums

Property and casualty insurance premiums are earned principally on a monthly pro rata basis over the term of the policy; the premiums applicable to the unexpired terms of the policies are included in unearned premium reserve.

E. Acquisition Costs

Acquisition costs incurred at policy issuance net of applicable ceding commissions are deferred and amortized over the term of the policy. Acquisition costs deferred are commissions, brokerage fees, salaries and benefits, and other underwriting expenses to include allocations for inspections, taxes, rent and other expenses as deemed appropriate. Deferred policy acquisition costs are reviewed to determine that they do not exceed recoverable amounts, including anticipated investment income.

F. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated lives of the assets. As of January 1, 1998, the Corporation adopted Statement of Position (SOP) 98-1 and began capitalizing costs incurred to internally develop software products used in the Corporation's operations.

The Corporation amortizes these costs on a straight-line basis over the estimated useful life of the product, generally not to exceed five years. Unamortized software costs and accumulated amortization in the consolidated balance sheet at December 31, 1998 were $8,013 and $184.

G. Goodwill

The Corporation records goodwill for the excess of cost over the fair value of net assets acquired. Goodwill is amortized on a straight-line basis over a twenty-five year period. Goodwill will be evaluated periodically as events or circumstances indicate a possible inability to recover their carrying amount. Such evaluation will be based on various analyses, including cash flow and profitability projections that incorporate, as applicable, the impact on existing company businesses. The analyses will necessarily involve significant management judgments to evaluate the capacity of an acquired business to perform within projections. If future undiscounted cash flows are insufficient to recover the carrying amount of the asset, an impairment loss will be recognized.

H. Loss Reserves

The reserves for unpaid losses and loss adjustment expenses are based on estimates of ultimate claim costs, including claims incurred but not reported, salvage and subrogation and inflation without discounting. The methods of making such estimates are continually reviewed and updated, and any resulting adjustments are reflected in earnings currently.

Liabilities for future policy benefits are computed based on contract terms and issue dates using interest rates ranging from 3 1/2% to 8 3/4%, select and ultimate mortality experience and industry withdrawal experience. Interest rates on $14,884 of such liabilities in 1998, $24,611 in 1997 and $230,843 in 1996 are periodically adjusted based on market conditions. Fair value is determined by discounting cash flows at current market interest rates.

I. Deferred Income Taxes

The Corporation records deferred tax assets and liabilities based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

J. Stock Options

The Corporation accounts for stock options issued to employees in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees". Under APB 25, the Corporation recognizes expense based on the intrinsic value of options.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The insurance industry is subject to heavy regulation that differs by state. A dramatic change in regulation in a given state may have a material adverse impact on the Corporation.

NOTE 2 -- INVESTMENTS

Investment income is summarized as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Investment income from:			
Fixed maturities	$155,153	$166,554	$173,664
Equity securities	15,533	13,776	14,135

Short-term securities	5,332	3,477	2,129
Total investment income	176,018	183,807	189,928
Investment expenses	6,994	6,107	6,620
Net investment income	$169,024	$177,700	$183,308

</TABLE>

The proceeds, gross realized gains and gross realized losses from sales of available-for-sale securities were as follows:

<TABLE>
<CAPTION>

December 31	Proceeds	Gross Realized Gains	Gross Realized Losses	Net Realized Gains
<S>	<C>	<C>	<C>	<C>
1998	$476,571	$22,531	$8,120	$14,411
1997	486,881	57,751	7,002	50,749
1996	624,364	56,214	6,542	49,672

</TABLE>

Unrealized gains (losses) on investment in securities are summarized as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Unrealized gains (losses):			
Securities	$ 88,577	$188,081	$ 40,297
Deferred tax	(31,002)	(65,882)	(13,304)
	$ 57,575	$122,199	$ 26,993

</TABLE>

The amortized cost and estimated market values of investments in debt and equity securities are as follows:

<TABLE>
<CAPTION>

1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Securities available for sale:				
U.S. Government	$ 74,534	$ 5,340	$ (20)	$ 79,854
States, municipalities and political subdivisions	800,945	38,668	(40)	839,573
Debt securities issued by foreign governments	3,000	636	0	3,636
Corporate securities	1,062,165	62,275	(6,965)	1,117,475
Mortgage-backed securities:				
U.S. Government Agency	6,130	145	0	6,275
Other	360,960	9,226	(1,095)	369,091
Total fixed maturities	2,307,734	116,290	(8,120)	2,415,904
Equity securities	245,129	686,715	(6,938)	924,906
Short-term investments	262,939	5	(81)	262,863
Total securities,				

available for sale	$2,815,802	$803,010	$(15,139)	$3,603,673

</TABLE>

<TABLE>
<CAPTION>

1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Securities available for sale:				
U.S. Government	$ 66,244	$ 3,601	$ (1)	$ 69,844
States, municipalities and political subdivisions	835,355	40,405	(19)	875,741
Debt securities issued by foreign governments	3,000	458	0	3,458
Corporate securities	872,904	58,046	(1,026)	929,924
Mortgage-backed securities:				
U.S. Government Agency	16,876	678	(1)	17,553
Other	317,912	12,838	(1,240)	329,510
Total fixed maturities	2,112,291	116,026	(2,287)	2,226,030
Equity securities	275,637	597,803	(13,965)	859,475
Short-term investments	65,849	0	0	65,849
Total securities, available for sale	$2,453,777	$713,829	$(16,252)	$3,151,354

</TABLE>

<TABLE>
<CAPTION>

1996	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Securities available for sale:				
U.S. Government	$ 80,822	$ 2,101	$ (382)	$ 82,541
States, municipalities and political subdivisions	760,602	34,966	(1,029)	794,539
Debt securities issued by foreign governments	3,000	296	0	3,296
Corporate securities	940,540	50,126	(7,008)	983,658
Mortgage-backed securities:				
U.S. Government Agency	171,291	12,992	(7,377)	176,906
Other	269,262	14,274	(13,538)	269,998
Total fixed maturities	2,225,517	114,755	(29,334)	2,310,938
Equity securities	297,727	434,160	(10,735)	721,152
Short-term investments	41,546	0	0	41,546
Total securities, available for sale	$2,564,790	$ 548,915	$ (40,069)	$3,073,636

</TABLE>

The amortized cost and estimated fair value of debt securities at December 31, 1998, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 34,249	$ 34,324
Due after one year through five years	434,964	449,556
Due after five years through ten years	757,440	803,594
Due after ten years	713,991	753,064
Mortgage-backed securities:		
U.S. Government Agency	6,130	6,275
Other	360,960	369,091
Total fixed maturities	$2,307,734	$2,415,904

Certain securities were determined to have other than temporary declines in book value and were written down through realized investment losses. Total write-downs were $12,709, $14,433 and $19,456 during 1998, 1997 and 1996, respectively, representing a reduction in value of $4,469, $0 and $7,055 on fixed maturities and $8,240, $14,433 and $12,401 on equity securities.

Proceeds from maturities and sales of investments in debt securities during 1998, 1997 and 1996 were $561,420, $445,358 and $603,364, respectively. Gross gains of $23,108, $12,665 and $14,257 and gross losses of $6,778, $4,311 and $10,388 were realized on those maturities and sales in 1998, 1997 and 1996, respectively.

NOTE 3 -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Corporation's financial instruments:

1998	Carrying Amount	Fair Value
Assets		
Cash and short-term investments	$ 305,078	$ 305,002
Securities - available for sale	3,340,810	3,340,810
Liabilities		
Future policy benefits	$ 25,518	$ 25,518
Long-term debt	265,000	265,000

1997	Carrying Amount	Fair Value
Assets		
Cash and short-term		

investments	$ 120,055	$ 120,055
Securities - available for sale	3,085,505	3,085,505
Liabilities		
Future policy benefits	$ 34,148	$ 34,148
Long-term debt	40,000	40,000

</TABLE>

<TABLE>
<CAPTION>

1996	Carrying Amount	Fair Value
<S>	<C>	<C>
Assets		
Cash and short-term investments	$ 61,624	$ 61,624
Securities - available for sale	3,032,090	3,032,090
Liabilities		
Future policy benefits	$ 280,002	$ 280,002
Long-term debt	50,000	50,000

</TABLE>

The Corporation believes that the fair value of long-term debt is approximately equal to its carrying value due to the market-based variable interest rates associated with the debt.

NOTE 4 -- DEFERRED POLICY ACQUISITION COSTS
Changes in deferred policy acquisition costs are summarized as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Deferred, January 1	$126,063	$116,684	$119,795
Additions:			
Addition due to acquisition	37,371	0	0
Commissions and brokerage	207,747	190,029	190,461
Salaries and employee benefits	50,194	46,241	47,092
Other	70,654	67,301	66,143
Deferral of expense	365,966	303,571	303,696
Amortization to expense			
Discontinued operations	(1,093)	(9,302)	(2,049)
Continuing operations	316,516	303,494	308,856
Deferred, December 31	$176,606	$126,063	$116,684

</TABLE>

The above schedule includes deferred policy acquisition costs (net of unamortized ceding commission) for discontinued life insurance operations of $(1,093), $(2,185) and $(11,486) as of 1998, 1997 and 1996, respectively. See Note 20 for additional information regarding discontinued operations.

NOTE 5 -- INCOME TAX
The effective income tax rate is less than the statutory corporate tax rate of 35% for 1998, 1997 and 1996 for the following reasons:

	1998	1997	1996
Tax at statutory rate	$ 36,050	$ 60,710	$ 40,263
Tax exempt interest	(16,433)	(16,522)	(18,367)
Dividends received deduction (DRD)	(3,247)	(3,239)	(4,056)
Proration of DRD and tax exempt interest	2,826	2,796	3,017
Reduction in provision for audit issues	0	0	(3,000)
Miscellaneous	793	(679)	(47)
Actual tax	$ 19,989	$ 43,065	$ 17,810

Tax years 1993 through 1995 are being examined by The Internal Revenue Service. Management believes there will not be a significant impact on the financial position or results of operations of the Corporation as a result of this audit.

The components of the net deferred tax asset (liability) were as follows:

	1998	1997	1996
Unearned premium proration	$ 35,209	$ 34,065	$ 33,833
Accrued expenses	48,549	52,520	59,217
Postretirement benefits	29,768	28,522	27,355
Discounted loss and loss expense reserves	70,663	78,217	81,350
Total deferred tax assets	184,189	183,968	201,755
Deferred policy acquisition costs	(49,765)	(44,122)	(51,129)
Unrealized gains on investments	(275,154)	(244,591)	(178,619)
Total deferred tax liabilities	(324,919)	(279,357)	(229,748)
Net deferred tax asset (liability)	$(140,730)	$ (95,389)	$ (27,993)

NOTE 6 -- EMPLOYEE BENEFITS

The Corporation has a non-contributory defined benefit retirement plan, a contributory health care, life and disability insurance plan and a savings plan covering substantially all employees. Benefit expenses are as follows:

	1998	1997	1996
Employee benefit costs:			
Pension plan	$(1,610)	$ (252)	$ (136)
Health care	13,215	12,555	14,415
Life and disability insurance	502	463	555
Savings plan	2,404	2,321	2,489
	$14,511	$15,087	$17,323

The pension benefit is determined as follows:

	1998	1997	1996
Service cost/(benefit) earned during the year	$ 6,011	$ 6,354	$ 6,256
Interest cost on projected benefit obligation	15,068	15,003	13,927
Expected return on plan assets	(19,871)	(18,650)	(17,360)
Amortization of unrecognized net obligation (asset)	(3,017)	(3,017)	(3,017)
Amortization of unrecognized prior service cost	199	58	58
Net pension benefit	$ (1,610)	$ (252)	$ (136)

Changes in the benefit obligation during the year:

	1998	1997	1996
Benefit obligation at beginning of year	$213,720	$197,538	$191,008
Service cost	6,011	6,354	6,256
Interest cost	15,068	15,003	13,927
Amendments	0	2,000	0
Actuarial loss (gain)	17,132	4,142	(2,990)
Benefits paid	(12,638)	(11,317)	(10,663)
Benefit obligation at end of year	$239,293	$213,720	$197,538

Changes in pension plan assets during the year:

	1998	1997	1996
Fair value of plan assets at beginning of year	$276,477	$225,681	$217,274
Actual return on plan assets	(12,038)	62,113	19,070
Benefits paid	(12,215)	(11,317)	(10,663)
Fair value of plan assets at end of year	$252,224	$276,477	$225,681

Pension Plan funding at December 31:

	1998	1997	1996

Funded status	$12,931	$62,757	$28,143
Unrecognized net gain (loss)	(6,697)	42,443	1,617
Unrecognized net assets	12,068	15,085	18,102
Unrecognized prior service cost	(2,308)	(2,508)	(566)
Accrued pension liability	$9,868	$7,737	$8,990
Expected long-term return on plan assets	7.75%	8.25%	8.75%
Discount rate on plan benefit obligations	6.75%	7.25%	7.75%
Expected future rate of salary increases	5.25%	5.25%	5.25%

Pension benefits are based on service years and average compensation using the five highest consecutive years of earnings in the last decade of employment. The pension plan measurement date is October 1, 1998, 1997 and 1996. The maximum pension expense deductible for income tax purposes has been funded. Plan assets at December 31, 1998 include $34,637 of the Corporation's common stock at market value compared to $37,585 and $29,899 at December 31, 1997 and 1996, respectively.

Postretirement benefit cost at December 31:

	1998	1997	1996
Service cost	$ 2,061	$ 1,739	$ 1,967
Interest cost	5,753	5,588	5,412
Net periodic postretirement benefit cost	$ 7,814	$ 7,327	$ 7,379

Changes in the postretirement benefit obligation during the year:

	1998	1997	1996
Benefit obligation at beginning of year	$ 81,694	$ 71,797	$ 71,519
Service cost	2,061	1,739	1,967
Interest cost	5,753	5,588	5,412
Plan participants' contributions	(4,676)	(3,912)	(3,655)
Increase due to change in discount rate or other assumptions	5,731	8,467	(2,353)
Actuarial loss (gain)	1,368	(2,141)	(1,177)
Prior service cost unrecognized at year end	6,416	0	0
Benefit obligation at end of year	$ 98,347	$ 81,694	$ 71,797

Accrued postretirement benefit liability at December 31:

<CAPTION>

	1998	1997	1996
Accumulated postretirement benefit obligation	$ 98,347	$ 81,694	$ 71,797
Unrecognized net gain (loss)	(6,642)	(203)	6,203
Unrecognized prior service cost	(6,416)	0	0
Accrued postretirement benefit liability	$ 85,289	$ 81,491	$ 78,000

</TABLE>

Postretirement benefit weighted average rate assumptions at October 1:

<TABLE>
<CAPTION>

	1998	1997	1996
Medical trend rate	7%	8%	9%
Dental trend rate	5%	6%	7%
Ultimate health care trend rate	5%	5%	5%
Discount rate	6.75%	8.00%	7.75%

</TABLE>

The above medical trend rates assumed for 1998, 1997 and 1996 were assumed to decrease to the ultimate rate of 5% in 2, 3 and 4 years respectively. The postretirement plan measurement date is October 1 for 1998, 1997 and 1996.

Increasing the assumed health care cost trend by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1998 by approximately $ 19,669 and increase the postretirement benefit cost for 1998 by $2,032. Likewise, decreasing the assumed health care cost trend by 1 percentage point in each year would decrease the accumulated postretirement benefit obligation as of December 31, 1998 by approximately $12,785 and decrease the postretirement benefit cost for 1998 by $1,250.

The Corporation's health care plan is a predominately managed care plan. Retired employees continue to be eligible to participate in the health care and life insurance plans. Employee contributions to the health care plan have been established as a flat dollar amount with periodic adjustments as determined by the Corporation. The health care plan is unfunded. Benefit costs are accrued based on actuarial projections of future payments. There are currently 3,261 active employees and 1,416 retired employees covered by these plans.

Employees may contribute a percentage of their compensation to a savings plan. A portion of employee contributions is matched by the Corporation and invested in Corporation stock purchased on the open market by trustees of the plan.

NOTE 7 - STOCK OPTIONS

The Corporation is authorized under provisions of the 1993 Stock Incentive Programs to grant options to purchase 1,293,500 shares of the Corporation's common stock to key executive employees, directors, and other full time salaried employees at a price not less than the fair market value of the shares on dates the options are granted. The options granted may be either "Incentive Stock Options" or "Nonqualified Stock Options" as defined by the Internal Revenue Code; the difference in the option plans affects treatment of the options for income tax purposes by the individual employee and the

Corporation. The options are non-transferable and exercisable at any time after the vesting requirements are met. Option expiration dates are five and ten years from the grant date. Options vest either at 100% six months from the grant date or at 33% per year for three consecutive years from the date of the grant. At December 31, 1998, 868,289 remaining options may be granted.

In addition, the 1993 Stock Incentive Program provides for the grant of Stock Appreciation Rights in tandem with the stock options. Stock Appreciation Rights provide the recipient with the right to receive payment in cash or stock equal to appreciation in value of the optioned stock from the date of grant in lieu of exercise of the stock options held. At December 31, 1998, there were no outstanding stock appreciation rights.

Restricted stock awards are occasionally issued by the Corporation. The common shares covered by a restricted stock award may be sold or otherwise disposed of only after a minimum of six months from the grant date of the award. The difference between issue price and the fair market value on the date of issuance is recorded as compensation expense. The amount of compensation expense recognized in 1998 related to restricted stock awards was $387 and $345 in 1997 before tax. There were no restricted stock awards in 1996. Currently there are 15,312 shares of restricted stock outstanding.

The Corporation also issues, at its discretion, dividend payment rights in connection with the grant of stock options. These rights entitle the holder to receive, for each dividend payment right, an amount in cash equal to the aggregate amount of dividends that the Corporation has paid on each common share from the date on which such right becomes effective through the payout date. One third of these rights becomes vested on each anniversary after the grant. Dividends accrue and payments are made when the rights are fully vested by the rightholder. The Corporation recognizes compensation expense accordingly. The amount of compensation expense related to dividend payment rights recognized in 1998 was $551 and $517 in 1997 before tax. As of December 31, 1998, 313,684 dividend payment rights were outstanding.

The Corporation continues to elect APB 25 for recognition of stock-based compensation expense. Under APB 25, expense is recognized based on the intrinsic value of the options. However, under the provision of FAS 123 the Corporation is required to estimate on the date of grant the fair value of each option using an option-pricing model. Accordingly, the Black-Scholes option pricing model is used with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: dividend yield of 4.5% for 1998, 1997 and 1996, expected volatility of 26.7% for 1998, 26.1% for 1997 and 25.3% for 1996, risk free interest rate of 5.63%, 6.87% and 6.34%, and expected life of 8 years. The following table summarizes information about the stock-based compensation plan as of December 31, 1998, 1997 and 1996, and changes that occurred during the year:

<TABLE>
<CAPTION>

	1998		1997		1996	
	Shares (000)	Weighted-Avg Exercise Price	Shares (000)	Weighted-Avg Exercise Price	Shares (000)	Weighted Avg Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding beginning of year	262	$37.38	173	$33.84	74	$30.02
Granted	123	46.97	120	41.44	127	34.93
Exercised	(6)	35.00	(27)	33.33	(28)	28.75
Canceled	0		(4)	32.38	0	
Outstanding end of year	380	$40.53	262	$37.38	173	$33.84
Options exercisable at year-end	160		81		52	
Weighted-Avg fair value of options granted during the year	$10.60		$10.18		$8.14	

</TABLE>

At year end 1998, 379,684 options were outstanding with an average remaining contractual life of 7.94 years and weighted exercise price of $40.53. Of the amount outstanding, 159,681 were exercisable with a weighted average exercise price of $36.90. At year end 1997, 262,494 options were outstanding with an average remaining contractual life of 8.35 years and a weighted exercise price of $37.38. Of the amount outstanding, 81,493 were exercisable with a weighted average exercise price of $34.05. At year end 1996, 172,500 options were outstanding with an average remaining contractual life of 8.49 years and a weighted exercise price of $33.84. Of the amount outstanding, 51,500 were exercisable with a weighted average exercise price of $31.23.

Had the Corporation adopted FAS 123, the amount of compensation expense that would have been recognized in 1998, 1997 and 1996 respectively, would be $1,164, $755 and $350. The Corporation's net income and earnings per share would have been reduced to the pro forma amounts disclosed below:

<TABLE>
<CAPTION>

		1998	1997	1996
<S>		<C>	<C>	<C>
Net Income	As Reported:	$84,927	$139,047	$102,457
	Pro Forma:	$83,994	$138,411	$102,146
Basic/diluted earnings per share				
	As Reported:	$2.58	$4.06	$2.91
	Pro Forma:	$2.55	$4.04	$2.90

</TABLE>

NOTE 8 -- REINSURANCE AND OTHER CONTINGENCIES

In the normal course of business, the Corporation seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk with other insurers or reinsurers. In the event that such reinsuring companies might be unable at some future date to meet their obligations under the reinsurance agreements in force, the Corporation would continue to have primary liability to policyholders for losses incurred. The Corporation evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies. The following amounts are reflected in the financial statements as a result of reinsurance ceded:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Ceded premiums earned, presented net	$35,334	$32,169	$30,534
Ceded losses incurred, presented net	41,477	13,387	11,846
Reserve for unearned premiums	12,290	8,242	8,062
Reserve for losses	82,589	54,209	61,205
Reserve for future policy benefits	25,518	34,148	280,002
Reserve for loss adjustment expenses	8,707	7,794	8,833

</TABLE>

Annuities are purchased from other insurers to pay certain claim settlements. These payments are made directly to the claimants; should such insurers be unable to meet their obligations under the annuity contracts, the Corporation would be liable to claimants for the remaining amount of annuities. The claim reserves are presented net of the related annuities on the Corporation's balance sheet. The total amount of unpaid annuities was $24,155, $25,123 and $25,139 at December 31, 1998, 1997 and 1996, respectively.

On October 2, 1995, as part of the transaction involving the reinsurance of the Ohio Life business to Employers' Reassurance Corporation, Ohio Casualty Insurance Company agreed to manage a $163,615 fixed income portfolio for Employers' Reassurance. The term of the agreement is seven years, terminating on October 2, 2002. There is no separate fee to Ohio Casualty for this investment management service. The assets of the fixed income portfolio are not carried on the Corporation's balance sheet as these are assets of Employers' Reassurance Corporation. The agreement requires that Ohio Casualty pay an annual rate of 7.25% interest to Employers' Reassurance and maintain the market value of the account at $163,615. As the market value fluctuates from this amount, Ohio Casualty is required to make up any deficiency and is entitled to receive any excess. Accordingly, the Corporation accrues any deficiency or excess in makret value over the guaranteed amount of $163,615. This results in either investment income or loss and is recorded in earnings of the current period. At December 31, 1998, the market value of the account exceeded the $163,615 required balance by $1,356 cmpared with excesses of $2,080 in 1997 and $699 in 1996. The annual interest obligation of 7.25% was also being adequately serviced by the portfolio assets.

NOTE 9 -- LOSSES AND LOSS RESERVES

The following table presents a reconciliation of liabilities for losses and loss adjustment expenses:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Balance as of January 1, net of reinsurance recoverables of $62,003, $70,048 and $74,119	$1,421,804	$1,486,622	$1,557,065
Addition related to acquisition	483,938	0	0
Incurred related to:			
Current year	989,114	922,065	1,009,086
Prior years	(66,119)	(53,615)	(76,920)
	922,995	868,450	932,166
Paid related to:			
Current year	513,292	448,402	515,025
Prior years	449,802	484,866	487,584
Total paid	963,094	933,268	1,002,609
Balance as of December 31, net of reinsurance recoverables of $91,296, $62,003 and $70,048	$1,865,643	$1,421,804	$1,486,622

</TABLE>

As a result of favorable development in estimates for insured events of prior years, the incurred related to prior years shows a favorable development.

The following table presents catastrophe losses incurred and the respective impact on the loss ratio:

<TABLE>
<CAPTION>

	1998	1997	1996

<S>	<C>	<C>	<C>
Incurred losses	$44,595	$21,389	$62,189
Loss ratio effect	3.6%	1.8%	5.1%

</TABLE>

In 1998, 1997 and 1996 there were 37, 25 and 41 catastrophes respectively. The largest catastrophe in each year was $7,300, $4,600 and $13,700 in incurred losses. Additional catastrophes with over $1,000 in incurred losses numbered 14, 3 and 10 in 1998, 1997 and 1996.

The effect of catastrophes on the Corporation's results cannot be accurately predicted. As such, severe weather patterns could have a material adverse impact on the Corporation's results.

Inflation has historically affected operating costs, premium revenues and investment yields as business expenses have increased over time. The long term effects of inflation are considered when estimating the ultimate liability for losses and loss adjustment expenses. The liability is based on historical loss development trends which are adjusted for anticipated changes in underwriting standards, policy provisions and general economic trends. It is not adjusted to reflect the effect of discounting.

Reserves for asbestos-related illnesses and toxic waste cleanup claims cannot be estimated with traditional loss reserving techniques. In establishing liabilities for claims for asbestos-related illnesses and for toxic waste cleanup claims, management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretations in the future, there is uncertainty regarding the extent of remediation. Accordingly, additional liability could develop. Estimated asbestos and environmental reserves are composed of case reserves, incurred but not reported reserves and reserves for loss adjustment expense. For 1998, 1997 and 1996, respectively, total case, incurred but not reported and loss adjustment expense reserves were $41,898, $40,121 and $40,956. Asbestos reserves were $10,364, $6,966 and $5,215 and environmental reserves were $31,534, $33,155 and $35,741 for those respective years.

NOTE 10 -- EARNINGS PER SHARE

During 1997, the Corporation adopted Statement of Financial Accounting Standard 128 "Earnings Per Share". Basic earnings per share is computed using weighted average number of common shares outstanding. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include the number of additional common shares that would have been issued if all dilutive outstanding stock options would have been exercised. All prior periods were recalculated under the new definition of basic and diluted earnings per share. Basic and diluted earnings per share are summarized as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Income from continuing operations	$83,011	$130,392	$97,228
Average common shares outstanding - basic	32,904	34,228	35,247
Basic income from continuing operations per average share	$2.52	$3.81	$2.76
Average common shares outstanding	32,904	34,228	35,247
Effect of dilutive securities	31	29	7
Average common shares			

outstanding - diluted	32,935	34,257	35,254
Diluted income from continuing operations per average share	$2.52	$3.81	$2.76

</TABLE>

At December 31, 1998, 3,000 purchase warrants and 103 stock options were not included in earnings per share calculations for 1998 as they were antidilutive.

NOTE 11 -- Quarterly Financial Information (Unaudited)

<TABLE>
<CAPTION>

1998	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
Premiums and finance charges earned	$309,627	$311,663	$314,956	$332,406
Net investment income	44,634	41,299	42,231	40,860
Investment gains (losses) realized	4,082	8,151	3,537	(1,359)
Income from continuing operations	30,914	9,989	22,903	19,205
Income from discontinued operations	280	345	278	1,013
Net income	31,194	10,334	23,181	20,218
Basic and diluted net income per share	.93	.31	.71	.64

</TABLE>

<TABLE>
<CAPTION>

1997	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
Premiums and finance charges earned	$302,479	$307,788	$300,252	$298,455
Net investment income	43,717	45,153	45,365	43,465
Investment gains (losses) realized	13,340	8,498	20,806	8,105
Income from continuing operations	31,257	32,962	25,324	40,849
Income from discontinued operations	1,458	1,143	(85)	6,139
Net income	32,715	34,105	25,239	46,988
Basic and diluted net income per share	.94	1.00	.74	1.39

</TABLE>

The fourth quarter adjustments for 1998 included income of $12,262 after tax for the reduction in Proposition 103 liability and an expense of $6,500 after tax for a restructuring charge.

NOTE 12 -- Comprehensive Income

Changes in accumulated other comprehensive income related to changes in unrealized gains(losses) on securities were as follows:

	1998	1997	1996
Unrealized holding gains (losses) arising during the period, net of tax	$71,207	$143,794	$56,019
Less: Reclassification adjustment for gains included in net income, net of taxes	13,632	21,595	29,026
Net unrealized gains(losses) on securities, net of taxes	$57,575	$122,199	$26,993

NOTE 13 -- SEGMENT INFORMATION

In 1998, the Corporation adopted Statement of Financial Accounting Standard 131, "Disclosures about Segments of an Enterprise and Related Information." This statement supersedes Statement of Financial Accounting Standard 14, "Financial Reporting for Segments of a Business Enterprise" and replaces the industry segment approach with a management segment approach in identifying reportable segments. The management segment approach focuses on financial information that the Corporation's decision makers use to make decisions about the operating segments. The accounting policies of the property and casualty segments are based upon statutory accounting practices. Statutory accounting principles differ from generally accepted accounting principles primarily by deferred policy acquisition costs, required statutory reserves, assets not admitted for statutory reporting, California Proposition 103 reserve and deferred federal income taxes.

The Corporation has determined its reportable segments based upon its method of internal reporting which is organized by product line. The property and casualty segments are personal automobile, commercial automobile, homeowners, workers' compensation, fidelity and surety, general liability and commercial property. These segments generate revenues by selling a wide variety of personal, commercial and surety insurance products. The Corporation also has an all other segment which derives its revenues from premium financing, investment income, royalty income and discontinued life insurance operations. The Corporation writes business in over 40 states in conjunction with the independent agency system.

Each segment of the Corporation is managed separately. The property and casualty segments are managed by assessing the performance and profitability of the segments through analysis of industry financial measurements including loss and loss adjustment expense ratios, combined ratio, premiums written, underwriting gain/loss and the effect of catastrophe loses on the segment. The following tables present this information by segment as it is reported internally to management. Asset information by reportable segment is not reported, since the Corporation does not produce such information internally.

Private Passenger Auto	1998	1997	1996
Net premiums written	$521,794	$464,693	$456,371
% Increase(decrease)	12.3%	1.8%	-2.3%
Net premiums earned	500,785	460,029	457,121
% Increase(decrease)	8.8%	0.6%	-3.6%
Underwriting gain/(loss)			

(before tax)	(24,220)	(25,926)	(46,951)
Loss ratio	68.8%	72.0%	75.7%
Loss expense ratio	10.3%	9.6%	10.6%
Underwriting expense ratio	24.7%	23.8%	24.0%
Combined ratio	103.8%	105.4%	110.3%
Impact of catastrophe losses on combined ratio	1.2%	0.5%	0.9%

</TABLE>

<TABLE>
<CAPTION>

CMP, Fire, Inland Marine	1998	1997	1996
<S>	<C>	<C>	<C>
Net premiums written	$225,749	$206,133	$195,290
% Increase(decrease)	9.5%	5.6%	0.8%
Net premiums earned	217,236	200,330	195,437
% Increase(decrease)	8.4%	2.5%	0.2%
Underwriting gain/(loss) (before tax)	(33,008)	(17,812)	(29,311)
Loss ratio	64.5%	58.7%	63.5%
Loss expense ratio	6.2%	7.0%	8.9%
Underwriting expense ratio	42.8%	42.0%	42.7%
Combined ratio	113.5%	107.7%	115.0%
Impact of catastrophe losses on combined ratio	4.9%	2.5%	8.3%

</TABLE>

<TABLE>
<CAPTION>

General Liability	1998	1997	1996
<S>	<C>	<C>	<C>
Net premiums written	$ 95,144	$ 96,698	$101,793
% Increase(decrease)	-1.6%	-5.0%	-6.0%
Net premiums earned	96,535	98,971	104,428
% Increase(decrease)	-2.5%	-5.2%	-5.5%
Underwriting gain/(loss) (before tax)	(819)	(1,892)	12,622
Loss ratio	35.8%	36.6%	26.2%
Loss expense ratio	13.8%	19.3%	15.7%
Underwriting expense ratio	52.0%	47.1%	47.2%
Combined ratio	101.6%	103.0%	89.1%
Impact of catastrophe losses on combined ratio	N/A	N/A	N/A

</TABLE>

<TABLE>
<CAPTION>

Workers' Compensation	1998	1997	1996
<S>	<C>	<C>	<C>
Net premiums written	$100,150	$ 97,176	$115,398
% Increase(decrease)	3.1%	-15.8%	-17.9%
Net premiums earned	100,336	103,484	124,157
% Increase(decrease)	-3.0%	-16.7%	-12.6%
Underwriting gain/(loss) (before tax)	(9,606)	9,130	9,613
Loss ratio	69.1%	57.2%	59.3%
Loss expense ratio	8.2%	6.4%	5.9%
Underwriting expense ratio	32.3%	29.4%	29.1%
Combined ratio	109.6%	93.0%	94.3%
Impact of catastrophe losses on combined ratio	N/A	N/A	N/A

</TABLE>

Commercial Auto	1998	1997	1996
Net premiums written	$139,087	$140,295	$139,420
% Increase(decrease)	-0.9%	0.6%	-4.8%
Net premiums earned	139,114	139,933	142,446
% Increase(decrease)	-0.5%	-1.8%	-4.5%
Underwriting gain/(loss) (before tax)	(7,453)	(18,146)	(6,507)
Loss ratio	61.2%	69.3%	64.5%
Loss expense ratio	8.6%	10.2%	7.0%
Underwriting expense ratio	35.6%	33.3%	33.8%
Combined ratio	105.4%	112.9%	105.3%
Impact of catastrophe losses on combined ratio	0.7%	0.3%	0.8%

Homeowners	1998	1997	1996
Net premiums written	$180,697	$168,168	$166,457
% Increase(decrease)	7.5%	1.0%	3.7%
Net premiums earned	177,419	166,474	165,630
% Increase(decrease)	6.6%	0.5%	2.8%
Underwriting gain/(loss) (before tax)	(33,824)	(19,254)	(59,806)
Loss ratio	73.8%	66.5%	89.5%
Loss expense ratio	8.2%	8.7%	11.5%
Underwriting expense ratio	36.4%	36.0%	34.9%
Combined ratio	118.4%	111.2%	135.9%
Impact of catastrophe losses on combined ratio	15.2%	8.1%	24.4%

Fidelity & Surety	1998	1997	1996
Net premiums written	$ 37,022	$ 34,418	$ 34,473
% Increase(decrease)	7.6%	-0.2%	0.9%
Net premiums earned	36,403	35,045	34,135
% Increase(decrease)	3.9%	2.7%	4.3%
Underwriting gain/(loss) (before tax)	6,351	8,663	8,866
Loss ratio	10.3%	7.9%	5.8%
Loss expense ratio	5.2%	2.8%	-0.3%
Underwriting expense ratio	65.9%	65.8%	67.8%
Combined ratio	81.4%	76.5%	73.4%
Impact of catastrophe losses on combined ratio	N/A	N/A	N/A

Total Property & Casualty	1998	1997	1996
Net premiums written	$1,299,643	$1,207,581	$1,209,202

% Increase(decrease)	7.6%	-0.1%	-3.3%
Net premiums earned	1,267,828	1,204,265	1,223,353
% Increase(decrease)	5.3%	-1.56%	-3.3%
Underwriting gain/(loss) (before tax)	(102,579)	(65,237)	(111,474)
Loss ratio	63.7%	62.7%	66.5%
Loss expense ratio	9.1%	9.4%	9.7%
Underwriting expense ratio	34.4%	33.2%	33.4%
Combined ratio	107.2%	105.3%	109.5%
Impact of catastrophe losses on combined ratio	3.6%	1.8%	5.1%

</TABLE>

<TABLE>
<CAPTION>

All other	1998	1997	1996
<S>	<C>	<C>	<C>
Revenues	$ 5,391	$ 6,833	$ 6,009
Expenses	6,663	6,880	7,223
Net income	$ (1,272)	$ (47)	$ (1,214)

</TABLE>

<TABLE>
<CAPTION>

Reconciliation of Revenue	1998	1997	1996
<S>	<C>	<C>	<C>
Net premiums earned for reportable segments	$1,267,828	$1,204,265	$1,223,353
Investment income	164,812	172,372	181,904
Realized gains	26,516	58,912	49,401
Miscellaneous income	162	453	647
Total property and casualty revenues (Statutory basis)	1,459,318	1,436,002	1,455,305
Property and casualty statutory to GAAP adjustment	(12,450)	(5,412)	(1,683)
Total revenues property and casualty (GAAP basis)	1,446,868	1,430,590	1,453,622
Other segment revenues	5,391	6,833	6,009
Total revenues	$1,452,259	$1,437,423	$1,459,631

</TABLE>

<TABLE>
<CAPTION>

Reconciliation of Underwriting gain/(loss) (before tax)	1998	1997	1996
<S>	<C>	<C>	<C>
Property and casualty underwriting gain/(loss) (before tax) (Statutory basis)	$(102,579)	$ (65,237)	$ (111,474)
Statutory to GAAP adjustment	28,528	15,597	(706)
Property and casualty underwriting gain/(loss)(before tax) (GAAP basis)	(74,051)	(49,640)	(112,180)
Net investment income	169,024	177,700	183,308
Realized gains	14,411	50,749	49,672
Other income	(6,384)	(5,352)	(5,762)

Income from continuing operations before income taxes	$103,000	$173,457	$115,038

</TABLE)

NOTE 14 -- ACQUISITION OF COMMERCIAL LINES BUSINESS

On December 1, 1998, the Corporation acquired substantially all of the Commercial Lines Division of Great American Insurance Company ("GAI"), an insurance subsidiary of the American Financial Group, Inc. As part of the transaction, the Corporation assumed responsibility for 650 employees of GAI's Commercial Lines Division, as well as relationships with 1,700 agents. The major lines of business included in the sale are workers' compensation, commercial multi-peril, umbrella and commercial auto. Four commercial operations as well as all California business and all pre-1987 environmental claims were excluded from the transaction.

Under the asset purchase agreement, the Corporation assumed $645,813 of commercial lines insurance liabilities, $62,639 in other liabilities and acquired $287,900 of investments, $1,500 in cash and $119,052 in other assets. This resulted in an assumption by the Corporation of a net statutory-basis liability of $300,000 plus warrants to purchase 3 million shares of Ohio Casualty Corporation common stock at a price of $45.01. In addition, if the annualized production from the transferred agents at the end of eighteen months equals or exceeds the production in the twelve months prior to closing, GAI will receive an additional $40,000. This bonus payment grades down ratably where if eighteen-month annualized production equals 71% or less of previous production, no bonus payment is

required. The bonus payment will be accrued as additional goodwill when minimum contingency is achieved.

The transaction was accounted for using the purchase method of accounting. The Corporation has recorded goodwill of $309,237 relating to this transaction, consisting of $285,517 of net liabilities assumed under generally accepted accounting principles, $21,138 in warrants given and $2,582 in acquisition expenses. Deferred policy acquisition costs of $37,371 were also recorded as a result of the transaction. The Corporation follows the practice of allocating purchase price to specifically identifiable intangible assets based on their estimated values as determined by appropriate valuation methods. In the GAI acquisition, no allocation of purchase price was made to specifically identifiable intangible assets other than goodwill and deferred policy acquisition costs as the Corporation believes it did not acquire any other significant specifically identifiable intangible assets.

The warrants which were issued in connection with the transaction provide for the purchase of the Corporation's common stock at $45.01 per share and expire in December 2003. The warrants may be settled through physical or net share settlement and thus have been recorded as equity in the financial statements at their estimated fair value. Estimated fair value was determined based on a third party appraisal of the warrants.

The following table presents the unaudited proforma results of operations had the acquisition occurred at the beginning of each year.

</TABLE>
<TABLE>
<CAPTION>

(Unaudited)	1998	1997
<S>	<C>	<C>
Revenues	$1,750,528	$1,775,556
Net income	58,866	130,206
Diluted earnings per share	1.79	3.80

</TABLE>

NOTE 15 -- RESTRUCTURE CHARGE

During December 1998, the Corporation adopted a plan to restructure its branch operations. To continue in the Corporation's efforts to reduce expenses, personal lines business centers will be reduced from five to three locations. Underwriting branch locations will be reduced from seventeen to eight locations and claims branches will be reduced from thirty-eight to six locations. The Corporation recognized $10,000 in expense in its income statement to reflect one-time charges related to its branch office consolidation plan. These charges consisted solely of future contractual lease payments related to abandoned facilities. The activities under the plan are expected to be completed in 1999.

NOTE 16 -- STATUTORY ACCOUNTING INFORMATION

The following information has been prepared on the basis of statutory accounting principles which differ from generally accepted accounting principles. The principal differences relate to deferred acquisition costs, required statutory reserves, assets not admitted for statutory reporting, California Proposition 103 reserve, goodwill and deferred federal income taxes.

	1998	1997	1996
Property and Casualty Insurance			
Statutory net income	$ 82,044	$ 142,457	$ 104,137
Statutory policyholders' surplus	1,027,105	1,109,517	984,859
Life Insurance			
Statutory net income	6,675	29,794	4,885
Statutory policyholders' surplus	14,943	29,971	58,511

The Ohio Casualty Insurance Company, domiciled in Ohio, prepares its statutory financial statements in accordance with the accounting practices prescribed or permitted by the Ohio Insurance Department. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The Company received written approval from the Ohio Insurance Department to have the California Proposition 103 liability reported as a direct charge to surplus and not included as a charge in the 1995 statutory statement of operations. Following this same treatment, during 1997 and 1998 the principal reduction in the Proposition 103 liability was taken as an increase to statutory surplus and not included in the 1997 or 1998 statutory statements of operations.

For statutory purposes, goodwill related to the GAI acquisition was taken as a direct charge to surplus.

The Corporation is dependent on dividend payments from its insurance subsidiaries in order to meet operating expenses and to pay dividends. Insurance regulatory authorities impose various restrictions and prior approval requirements on the payment of dividends by insurance companies and holding companies. At December 31, 1998, approximately $112,129 of retained earnings are not subject to restriction or prior dividend approval requirements.

NOTE 17 -- BANK NOTE PAYABLE

During 1997, the Corporation signed a credit facility that makes available a $300,000 revolving line of credit. This line of credit was accessed in 1997 to refinance the outstanding term loan balance the Corporation had at that time. In 1998, the line of credit was used for capital infusion of $200,000 into the property and casualty subsidiaries due to the acquisition. The line of credit was again accessed during 1998 for the purchase of a building and to purchase treasury shares. The credit agreement contains financial covenants and provisions customary for such arrangements. The agreement expires in October 2002, with any outstanding loan balance due at that time. The revolving line of credit maintains an interest rate swap that existed on the previous term loan. The effect of the swap agreement was to establish a fixed rate of 6.34% on $20,000 of the outstanding balance converted to the revolving line of credit. The remaining balance and any additional borrowings under the line of credit bear interest at a periodically adjustable rate (5.82% at December 31, 1998). The interest rate is determined on various bases including prime rates, certificate of deposit rates and the London Interbank Offered Rate. Interest incurred on borrowings amounted to $3,547, $3,147 and $3,769 in 1998, 1997 and 1996, respectively. Under the loan agreement, the maximum permissible consolidated funded debt cannot exceed 30% of consolidated tangible net worth.

NOTE 18 -- CALIFORNIA WITHDRAWAL

Proposition 103 was passed in the State of California in 1988 in an attempt to legislate premium rates for that state. As construed by the California Supreme Court, the proposition requires premium rate rollbacks for 1989 California policyholders while allowing for a "fair" return for insurance companies. Even after considering investment income, total returns in California have been less than what would be considered "fair" by any reasonable standard. During the fourth quarter of 1994, the State of California assessed the Corporation $59,867 for Proposition 103. In February 1995, California revised this billing to $47,278 due to California Senate Bill 905 which permits reduction of the rollback due to actual commissions and premium taxes paid. The assessment was revised again in August 1995 to $42,100 plus interest. In December 1997, during Administrative Law hearings, the California Department of Insurance filed two revised rollback calculations. These calculations indicated rollback liabilities of either $35,900 or $39,900 plus interest.

In 1998, the Administrative Law Judge finally issued a proposed ruling with a rollback liability of $24,428 plus interest. Her ruling was sent to the California Commissioner of Insurance to be accepted, rejected or modified. The Corporation expected the commissioner to rule sometime after the election in November, but he has so far failed to do so. In light of this failure to rule, the Corporation consulted extensively with outside counsel to determine the range of liability asserted by the Department. The asserted rollbacks to date have ranged from $24,428 to $61,197. The Administrative Law Judge indicates clearly in her ruling that by her calculation the Corporation would have lost approximately $1,000 on 1989 operations if a rollback of $24,428 were imposed. Given that conclusion, it is clear that any assessment greater than $24,428 would strengthen the Corporation's Constitutional argument that this rollback is confiscatory. Since the Corporation does not believe it is possible to pinpoint a specific rollback within the California Department of Insurance's asserted range that is the most probable, the Corporation has established a contingent liability for Proposition 103 rollback at $24,428 plus simple interest at 10% from May 8, 1989. This brings the total reserve to $48,043 at December 31, 1998.

The Corporation will continue to challenge the validity of any rollback. To date, the Corporation has paid $4,755 in legal costs related to the withdrawal, Proposition 103, and Fair Plan assessments.

In December 1992, the Corporation stopped writing business in California due to a lack of profitability and a difficult regulatory environment. In April 1995, the California Department of Insurance gave final approval for withdrawal. Currently, subsidiary American Fire and Casualty remains in the state to wind down the affairs of the group.

NOTE 19 -- SHAREHOLDER RIGHTS PLAN

In December 1989, the Board of Directors adopted a Shareholder Rights Plan (the Plan) declaring a dividend of one-half of one Common Share Purchase Right, expiring in 2009, for each outstanding share of common stock. The Plan is designed to deter coercive or unfair takeover tactics and to prevent a person or persons from gaining control of the Corporation without offering a fair price to all shareholders.

Under the terms of the Plan, each whole right entitles the registered holder (except the acquirer) to purchase from the Corporation one share of common stock at a price of $250 per share, subject to adjustment. Each right entitles its holder to purchase at the right's then current exercise price, a number of the Corporation's common shares having a market value of twice such price. The rights become exerciseable for a 60 day period commencing 11 business days after a public announcement that a person or group has acquired shares representing 20 percent or more of the outstanding shares of common stock, without the prior approval of the board of directors; or 11 business days following commencement of a tender or exchange of 20 percent or more of such outstanding shares of common stock.

If after the rights become exercisable, the Corporation is involved in a merger, other business consolidation or 50 percent or more of the assets or earning power of the Corporation is sold, the rights will then entitle the rightholders, upon exercise of the rights, to receive shares of common stock of the acquiring company with a market value equal to twice the exercise price of each right.

The Corporation can redeem the rights for $0.01 per right at any time prior to becoming exercisable.

NOTE 20 -- DISCONTINUED OPERATIONS (LIFE INSURANCE)

Discontinued operations include the operations of Ohio Life, a subsidiary of the Ohio Casualty Insurance Company.

During 1995, the Corporation committed to a plan to exit the life insurance business. On October 2, 1995, the Corporation transferred its life insurance and related businesses through a 100% coinsurance arrangement to Employers' Reassurance Corporation and entered into an administrative and marketing agreement with Great Southern Life Insurance Company ("Great Southern"). In connection with the reinsurance agreement, $144,469 in cash and $161,401 of securities were transferred to Employers' Reassurance to cover the liabilities of $348,479. Ohio Life received an adjusted ceding commission of $37,641 as payment. After deduction of deferred acquisition costs, the net ceding commission from the transaction was $17,284. During the fourth quarter of 1997, Great Southern legally replaced Ohio Life as the primary insurer for approximately 76% of the life insurance policies subject to the 1995 agreement. As a result of this assumption, fourth quarter of 1997 net income was positively impacted by a partial recognition of unamortized ceding commission. The after-tax impact was an increase to net income of $5,300. At December 31, 1998, Great Southern had assumed 95% of the life insurance policies subject to the 1995 agreement. As a result, the Corporation recognized an additional amount of unamortized ceding commission of $1,093 before tax during the fourth quarter 1998. There remains approximately $1,093 in unamortized ceding commission. This will continue to be amortized over the remaining life of the underlying policies.

Great Southern Life Insurance Company and Employers' Reassurance Corporation have entered into a modified coinsurance arrangement whereby all Ohio Life policies that were assumed by Employers' Reassurance are, in turn, retroceded to Great Southern Life Insurance Company. This gives the Corporation additional protection since the Corporation would first look for recovery from Employers' Reassurance which is rated A++ by A.M. Best. As part of the agreement, Americo Life Inc., the parent of Great Southern Life, acts as the third party administrator for Ohio Life for all unassumed policies. This arrangement lasts until the policies are assumed or lapse. Under the marketing agreement, Great Southern was permitted to market life insurance products through the Corporation's independent agency distribution system. This agreement was terminated in 1996 by mutual consent of the parties.

Results of the discontinued life insurance operations for the years ended December 31 were as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Gross premiums written	$ 0	$ 1,267	$ 1,428
Net premiums earned	3,708	23,865	4,582
Net investment income	2,288	3,954	4,812
Realized investment gains	(72)	1,633	1,002
Total income	5,924	29,452	10,396
Income before income taxes	2,944	13,316	7,892
Provision for income taxes	1,029	4,661	2,663
Net income	$ 1,916	$ 8,655	$ 5,229

</TABLE>

Assets and liabilities of the discontinued life insurance operations as of the years ended December 31 were as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Cash	$ 24	$ 9,214	$ 1,150
Investments	13,917	21,320	71,313
Deferred policy acquisition costs, net of unamortized ceding commission	(1,093)	(2,185)	(11,486)
Reinsurance receivable	36,599	36,198	285,354
Other assets	3,191	4,219	7,376
Total assets	$ 52,638	$ 68,766	$ 353,707
Future policy benefits	$ 25,518	$ 34,148	$ 280,002
Deferred income tax	(1,215)	(1,357)	1,728
Other liabilities	46,822	35,512	17,505
Total liabilities	$ 71,125	$ 68,303	$ 299,235

</TABLE>

NOTE 21 -- NEW ACCOUNTING STANDARDS

In December 1997, the American Institute of Certified Public Accountants issued Statement of Position 97-3 "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments". This statement provides guidance on accounting for insurance related assessments and required disclosure information. This statement is effective for fiscal years beginning after December 15, 1998. The Corporation does not believe that this statement will materially affect the Corporation's financial statements or disclosures.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard 133 "Accounting for Derivative Instruments and Hedging Activities." This statement standardizes the accounting for derivative instruments by requiring those items to be recognized as assets or liabilities with changes in fair value reported in earnings or other comprehensive income in the current period. The Corporation expects the adoption of FAS 133 to have an immaterial impact on the financial results due to its limited use of derivative instruments. This statement is effective for fiscal quarters of fiscal years beginning after June 15, 1999 (January 1, 2000 for the Corporation).

Exhibit 20.6

Report of Independent Accountants

To the Board of Directors and Shareholders of
Ohio Casualty Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of Ohio Casualty Corporation and its subsidiaries at December 31, 1998, 1997 and 1996, and the results of their operations and their cash flows for each of the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Cincinnati, Ohio
February 4 , 1999

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Ohio Casualty Corporation on Form S-8 (File Nos. 333-69895 and 33-67962) and Form S-3 (File Nos. 333-70761 and 333-29483) of our report dated February 4, 1999, on our audits of the consolidated financial statements of Ohio Casualty Corporation as of and for the years ended December 31, 1998, 1997 and 1996, which report is included in the Ohio Casualty Corporation Current Report on Form 8-K/A dated March 26, 1999.

/s/PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP
Cincinnati, Ohio
March 24, 1999