INFINITY PROPERTY & CASUALTY CORP
Form 10-K
February 27, 2009
Table of Contents

Index to Financial Statements

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 0-50167

INFINITY PROPERTY AND CASUALTY CORPORATION

(Exact name of registrant as specified in its charter)

OHIO	**03-0483872**
(State of other jurisdiction of	***(I.R.S. Employer***
incorporation or organization)	***Identification No.)***
3700 COLONNADE PARKWAY	
BIRMINGHAM, ALABAMA	**35243**
(Address of principal executive offices)	***(Zip Code)***

(205) 870-4000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:	**Name of each exchange on which registered:**
Common Stock, no par value	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

(Title of class)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ¨ Yes x No

As of June 30, 2008, the aggregate market value of the voting Common Stock held by non-affiliates of the registrant was $659,845,325 based on the last sale price of Common Stock on that date as reported by The NASDAQ Global Select Market.

As of February 13, 2009, there were 14,072,869 shares of the registrant s Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s proxy statement for the annual meeting of shareholders to be held on May 18, 2009, are incorporated by reference in Part III hereof.

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

INDEX TO ANNUAL REPORT

ON FORM 10-K

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain statements that may be deemed to be forward-looking statements that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in this report not dealing with historical results or current facts are forward-looking and are based on estimates, assumptions, and projections. Statements which include the words believes , seeks , expects , may , should , intends , likely , targets , plans , anticipates , estimates or the negative version of those words and similar statements of a future or forward-looking nature identify forward-looking statements. Examples of such forward-looking statements include statements relating to expectations concerning market conditions, premium, growth, earnings, investment performance, expected losses, rate changes and loss experience.

Actual results could differ materially from those expected by Infinity depending on: changes in economic conditions and financial markets (including interest rates), the adequacy or accuracy of Infinity s pricing methodologies, actions of competitors, the approval of requested form and rate changes, judicial and regulatory developments affecting the automobile insurance industry, the outcome of pending or new litigation against Infinity, weather conditions (including the severity and frequency of storms, hurricanes, snowfalls, hail and winter conditions), changes in driving patterns and loss trends. Infinity undertakes no obligation to publicly update or revise any of the forward-looking statements. For a more detailed discussion of some of the foregoing risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Risk Factors contained in Item 1A.

PART I

ITEM 1

Business

Introduction

Infinity Property and Casualty Corporation (Infinity or the Company) is a holding company that, through subsidiaries, provides personal automobile insurance with a concentration on nonstandard auto insurance. Infinity is headquartered in Birmingham, Alabama. The Company employed approximately 1,860 persons at December 31, 2008.

Infinity files its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports as required with the United States Securities and Exchange Commission (SEC). Any of these documents may be read and copied at the SEC s Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information regarding the operation of the SEC Public Reference Room may be obtained by calling 1-800-SEC-0330. Infinity s filed documents may also be accessed via the SEC Internet site at: http://www.sec.gov. All of Infinity s SEC filings, news releases and other information may also be accessed free of charge on Infinity s Internet site at: http://www.ipacc.com. Information on Infinity s website is not part of this Form 10-K.

Please see Note 1 to the Consolidated Financial Statements for additional information regarding the history and organization of Infinity. References to Infinity, unless the context requires otherwise, include the combined operations of its subsidiaries (collectively the NSA Group) and the in-force personal insurance business assumed through a reinsurance contract (the Assumed Agency Business) from American Financial Group Inc. s (AFG), formerly Infinity s parent company, principal property and casualty subsidiary, Great American Insurance Company (GAI). Unless indicated otherwise, the financial information herein is presented on a GAAP basis. Schedules may not foot due to rounding.

The Personal Automobile Market

Personal auto insurance is the largest line of property and casualty insurance, accounting for approximately 36% of the estimated $444 billion of annual industry premium. Personal auto insurance is comprised of preferred, standard and nonstandard risks. Nonstandard auto insurance is intended for drivers who, due to factors such as their driving record, age or vehicle type, represent a higher than normal risk. As a result, customers who purchase nonstandard auto insurance generally pay a higher premium for similar coverage than the drivers qualifying for standard or preferred policies. While there is no established industry-recognized distinction between nonstandard risks and all other personal auto risks, Infinity believes that nonstandard auto risks generally constitute between 15% and 20% of the personal automobile insurance market, with this range fluctuating according to competitive conditions in the market. Independent agents sell approximately one-third of all personal automobile insurance. The remainder is sold by captive agents or directly by insurance companies to their customers. Infinity believes that, relative to the standard and preferred auto insurance market, a disproportionately larger portion of nonstandard auto insurance is sold through independent agents.

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

The personal auto insurance industry is cyclical, characterized by periods of price competition and excess capacity, followed by periods of high premium rates and shortages of underwriting capacity. Over the past several years, the cycle has been soft , marked by aggressive competition for independent agents business through increased sales and commission incentives. Infinity observed that, during this soft cycle, some competitors were reducing their overall rates with larger rate reductions in certain segments of the business. The personal automobile component of the Consumer Price Index (CPI) reflects this trend as it indicates personal automobile insurance rates have increased just 0.5%, 0.8% and 1.0% during 2007, 2006 and 2005, respectively, after increasing 3.4% and 4.5% during 2004 and 2003, respectively. During 2008, Infinity observed competitors continuing to reduce rates in certain segments of the business, but also observed, in the latter part of the year, a few competitors in certain states increasing rates and tightening underwriting standards. Industry rates in 2008, as measured by the CPI, increased 4.0%. Infinity s average rate adjustments on its personal auto business were (2.6)%, 3.5%, 0.8% and 2.2% for 2008, 2007, 2006 and 2005, respectively. The 2008 rate decrease is primarily a result of the 10.4% rate decrease implemented January 1, 2008 in Infinity s largest program in California in response to the amended rate approval regulations in that state. Excluding California, overall rates increased 7.3%.

The personal auto insurance industry is highly competitive and, except for regulatory considerations, there are relatively few barriers to entry. Infinity generally competes with other insurers on the basis of price, coverages offered, claims handling, customer service, agent commission, geographic coverage and financial strength ratings. Infinity competes with both large national writers and smaller regional companies. In 2007, the five largest automobile insurance companies accounted for approximately 49% of the industry s net written premium and the largest ten accounted for approximately 65% (2008 industry data not available). Approximately 341 insurance groups compete in the personal auto insurance industry, according to A.M. Best. Some of these groups specialize in nonstandard auto insurance, while others insure a broad spectrum of personal auto insurance risks.

Operations

Infinity is organized along functional responsibilities with the following centralized departments: product management, marketing, claims, customer service, accounting, treasury, human resources and information technology resources. Frequent executive team meetings, which include the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer, the Chief Marketing Officer, the Chief Product Management Officer and the Chief Claims Officer, allow for sharing of information among functional departments and for setting policies and making key strategic decisions.

Infinity estimates that approximately 99% of its personal auto business is nonstandard auto insurance. Based on data published by A.M. Best, Infinity believes that it is the third largest provider of nonstandard auto coverage through independent agents in the United States. Infinity also writes standard and preferred personal auto insurance, monoline commercial auto insurance and classic collector automobile insurance.

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

Summarized historical financial data for Infinity is presented below (in thousands):

	Twelve months ended December 31, 2008	2007	2006
Gross written premium	$ 896,899	$ 1,019,119	$ 992,409
Net written premium	892,090	1,014,262	982,190
Net earnings	19,257	71,944	87,282

	as of December 31, 2008	2007
Total assets	$ 1,721,335	$ 1,916,610
Total liabilities	1,196,004	1,315,386
Total shareholders equity	525,331	601,224

Infinity has a history of favorable underwriting results. The following table compares Infinity s statutory combined ratio in past years with those of the private passenger auto industry. The statutory combined ratio is the sum of the loss ratio (the ratio of losses and loss adjustment expenses (LAE) to net earned premium) and the expense ratio (when calculated on a statutory accounting basis, the ratio of underwriting expenses to net written premium). When the combined ratio is under 100%, underwriting results are generally considered profitable; when the ratio is over 100%, underwriting results are generally considered unprofitable. Infinity has consistently performed better than the industry as shown below:

	2008	2007	2006	2005	2004	2004-2008	1999-2008
Infinity	91.2%	91.8%	88.7%	90.0%	90.3%	90.4%	95.8%
Industry (a)	100.4%	98.4%	95.5%	95.1%	94.3%	96.7%	100.3%
Percentage points better than industry	9.2%	6.6%	6.8%	5.1%	4.0%	6.3%	4.5%

(a) Private passenger auto industry combined ratios for 1999 through 2007 were obtained from A.M. Best. A.M. Best data were not available for 2008. The industry combined ratio for 2008 is an estimate based on data obtained from Conning Research and Consulting.

Products

Personal Automobile is Infinity s primary insurance product. It provides coverage to individuals for liability to others for bodily injury and property damage and for physical damage to an insured s own vehicle from collision and various other perils. In addition, many states require policies to provide for first party personal injury protection, frequently referred to as no-fault coverage. Infinity offers three primary products to individual drivers: the Low-Cost product, which offers the most restricted coverage, the Value-Added product, which offers broader coverage and higher limits, and the Premier product, which offers the broadest coverage and is designed for standard and preferred risk drivers. For the year ended December 31, 2008, Infinity s mix of personal automobile written premium was 14% Low-Cost, 85% Value-Added and 1% Premier.

Commercial Vehicle provides coverage to businesses for liability to others for bodily injury and property damage and for physical damage to vehicles from collision and various other perils. Infinity offers monoline commercial automobile insurance to businesses with fleets of 12 or fewer vehicles. Businesses that are involved in what Infinity considers to be hazardous operations or interstate commerce are generally avoided.

Classic Collector provides protection for classic collectible automobiles. Infinity s Classic Collector program provides coverage to individuals with classic or antique automobiles for liability to others for bodily injury and property damage and for physical damage to an insured s own vehicle from collision and various other perils.

3

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

Infinity s three product groups contributed the following percentages of total gross written premium:

	Twelve months ended December 31,		
	2008	2007	2006
Personal Automobile	93%	94%	93%
Commercial Vehicle	5%	4%	4%
Classic Collector	2%	2%	2%
Other Lines	0%	0%	1%
Total	100%	100%	100%

Distribution and Marketing

Infinity distributes its products primarily through a network of over 12,500 independent agencies and brokers (with approximately 16,000 locations). Independent agencies and brokers were responsible for approximately 96% of Infinity s gross written premium for the twelve-month period ended December 31, 2008. In 2008, two independent agencies each accounted for between 2% and 3% of Infinity s gross written premium, six other agencies each accounted for between 1% and 2% of the Company s gross written premium and 13.5% of the agency force produced 80% of Infinity s gross written premium. In California, Infinity s largest state by premium volume, 42% of gross written premium (which represents 22.3% countrywide) was produced by forty independent agents and brokers.

Infinity pays each agent a commission, based on contractual rates multiplied by the premium the agent generates. On a limited basis, Infinity also offers contingent commission arrangements, typically in the form of higher commission rates, to agencies in order to spur premium growth in profitable areas. In 2008, contingent commission arrangements represented approximately 1% of total agency compensation.

Infinity also fosters agent relationships by providing them with access to Infinity s Internet web-based software applications along with programs and services designed to strengthen and expand their marketing, sales and service capabilities. Infinity s Internet-based software applications provide many of its agents with real-time underwriting, claims and policy information. Infinity believes the array of services that it offers to its agents adds significant value to the agents businesses. For example, Providing Agents Service and Support Program is Infinity s incentive-based program through which agents receive assistance in critical areas such as training, advertising and promotion. In 2008, Infinity spent $9.8 million on co-op advertising and promotions.

Strategic partnerships are another mode of distribution for Infinity. These are relationships with non-affiliated property and casualty insurers that have their own captive agency forces. These companies usually provide standard and preferred auto coverage through one of their own companies while utilizing Infinity s companies for their nonstandard risks. Infinity believes these relationships are mutually beneficial because its partners gain access to Infinity s nonstandard auto expertise, and Infinity gains access to a new distribution channel. This channel represented approximately 4% of gross written premium in 2008.

Infinity is licensed to write insurance in all 50 states and the District of Columbia, but is committed to growth in targeted urban areas (Urban Zones) identified within selected Focus States that management believes offer the greatest opportunity for premium growth and profitability.

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

Infinity classifies the states in which it operates into three categories:

Focus States Infinity has identified Urban Zones in these states which include: Arizona, California, Connecticut, Florida, Georgia, Illinois, Nevada, Pennsylvania and Texas.

Maintenance States Infinity is maintaining its writings in these states which include: Alabama, Colorado, Indiana, Mississippi, Missouri, Ohio, South Carolina and Tennessee. These states contain no Urban Zones, but Infinity believes each Maintenance State offers the Company an opportunity for underwriting profit.

Other States Includes all remaining states.

Infinity further classifies the Focus States into two categories:

Urban Zones include the following urban areas:

Arizona Phoenix and Tucson

California Bay Area, Los Angeles, Sacramento, San Diego and San Joaquin Valley

Connecticut Hartford

Florida Jacksonville, Miami, Orlando, Bradenton/Sarasota and Tampa

Georgia Atlanta

Illinois Chicago

Nevada Las Vegas

Pennsylvania Allentown and Philadelphia

Texas	Dallas, Fort Worth, Houston and San Antonio

Non-Urban Zones include all remaining areas in the Focus States outside of a designated Urban Zone.

Infinity continually evaluates its market opportunities, thus the Focus States, Urban Zones or Maintenance States may change over time as new market opportunities arise. In the table below, Infinity has restated 2007 and 2006 premium to be consistent with the 2008 definition of Urban Zones, Focus States, Maintenance States and Other States.

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

Total gross written premium among the three state categories are as follows:

	Twelve months ended December, 31		
	2008	**2007**	**2006**
Personal Auto Insurance			
Focus States:			
California			
Urban Zones	50%	51%	48%
Non-Urban Zones	1%	2%	2%
Florida			
Urban Zones	9%	8%	8%
Non-Urban Zones	5%	6%	7%
Texas			
Urban Zones	5%	4%	3%
Non-Urban Zones	1%	1%	1%
Georgia			
Urban Zones	3%	3%	3%
Non-Urban Zones	3%	3%	4%
Pennsylvania			
Urban Zones	3%	3%	3%
Non-Urban Zones	2%	2%	2%
Arizona			
Urban Zones	3%	4%	3%
Non-Urban Zones	*	*	*
Nevada			
Urban Zones	3%	2%	*
Non-Urban Zones	*	*	*
Connecticut			
Urban Zones	1%	1%	2%
Non-Urban Zones	1%	1%	1%
Illinois			
Urban Zones	*	*	
Non-Urban Zones	*	*	
Total Focus States	89%	89%	85%
Maintenance States	4%	5%	6%
Other States	*	1%	2%
Subtotal	93%	94%	93%
Commercial Vehicle	5%	4%	4%
Classic Collector	2%	2%	2%
Other	*	*	1%
Total All States and All Lines	100%	100%	100%
Total $ (in thousands) All States and All Lines	896,902	1,019,011	986,741

(1) 2008, 2007 and 2006 exclude less than $(0.1) million, $0.1 million and $5.0 million, respectively, of premium written on behalf of other companies. 2006 also excludes $0.7 million of unearned premium transfers.

(2) * denotes less than one percent

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

Infinity s distribution and marketing efforts are implemented with a focus on maintaining a low-cost structure. Controlling expenses allows Infinity to price competitively and achieve better underwriting returns. Over the five years ended 2007, years for which industry data are available from A.M. Best, Infinity s statutory ratio of underwriting expenses to premium written has averaged 21.9%, which is 4.4 points better than the independent agency segment of the private passenger automobile industry average of 26.3% for the same period.

Claims Handling

Infinity strives for accuracy, consistency and fairness in its claim resolutions. Infinity s claims organization employs approximately 850 people and has 28 field locations. Infinity provides a 24-hour, seven days per week toll-free service for its customers to report claims. Infinity predominantly uses its own local adjusters and appraisers, who typically respond to claims within 24 hours of a report. Included in the 28 field locations are 12 claims service centers, which allow customers to conveniently bring in their vehicles for damage appraisal.

Infinity is committed to the field handling of claims in Urban Zones and believes it provides, when compared to alternative methods, better service to its customers and better control of the claim resolution process. Infinity opens claims branch offices in the Urban Zones where the volume of business will support them. Customer interactions can occur with generalists (initial and continuing adjusters) and specialists (staff appraisers, field casualty representatives and special investigators) based on local market volume, density and performance.

In addition to the use of field claims handling, Infinity uses a centralized claims call center to receive first notice of loss as well as to adjust simple property damage claims.

Ratings

A.M. Best has assigned Infinity s insurance company subsidiaries a group financial strength rating of A (Excellent). According to A.M. Best, A ratings are assigned to insurers that have, on average, excellent balance sheet strength, operating performance and business profile when compared to their standards, and in A.M. Best s opinion, have an excellent ability to meet their ongoing obligations to policyholders . A.M. Best bases its ratings on factors that concern policyholders and not upon factors concerning investor protection.

Regulatory Environment

Infinity s insurance company subsidiaries are subject to regulation and supervision by insurance departments of the jurisdictions in which they are domiciled or licensed to transact business. State insurance departments have broad administrative power relating to licensing insurers and agents, regulating premium rates and policy forms, establishing reserve and investment requirements, prescribing statutory accounting methods and the form and content of statutory financial reports, and regulating methods and processes of how an insurer conducts it business. Recent examples of the latter include the establishment in California of auto rating factor and rate approval regulations, proscription on credit based insurance scoring, prohibition of certain business practices with auto body repair shops, and attempts to set uniform auto body repair shop parts and labor rates. Some of these regulatory actions have come with the support of legislation, while others have been contested through judicial challenges.

Under state insolvency and guaranty laws, regulated insurers can be assessed or required to contribute to state guaranty funds to cover policyholder losses resulting from insurer insolvencies. Insurers are also required by many states, as a condition of doing business in the state, to participate in various assigned risk pools, reinsurance facilities or underwriting associations, which provide various insurance coverages to individuals who otherwise are unable to purchase that coverage in the voluntary market. Participation in these involuntary plans is generally in proportion to voluntary writings of related lines of business in that state. The underwriting results of these plans traditionally have been unprofitable. The amount of premium Infinity might be required to assume in a given state in connection with an involuntary plan may be reduced because of credits Infinity may receive for nonstandard policies that it voluntarily writes. Many states also have laws and regulations that limit an insurer s ability to exit a market. For example, certain states limit an automobile insurer s ability to cancel and non-renew policies.

State insurance departments that have jurisdiction over Infinity s insurance subsidiaries may conduct on-site visits and examinations of the companies affairs. At December 31, 2008, Infinity s insurance subsidiaries were involved in two market conduct examinations, including a rating and underwriting examination in California, Infinity s largest state. As of February 27, 2009 these examinations have not been completed. These examinations have from time to time given rise to, and are likely to give rise to in the future, regulatory orders requiring remedial, injunctive or other action on the part of an insurance subsidiary or the assessment of substantial fines or other penalties against Infinity s insurance subsidiaries.

Table of Contents

Index to Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION 10-K

Business

Every five years, Infinity s insurance subsidiaries are subject to a financial examination by the states in which the subsidiaries are domiciled. During 2007, the states examinations of the 2002 through 2006 statutory financial statements were completed with no financial adjustments required.

The insurance laws of the states of domicile of Infinity s insurance subsidiaries contain provisions to the effect that the acquisition or change of control of a domestic insurer or of any entity that controls a domestic insurer cannot be consummated without the prior approval of the relevant insurance regulator. In addition, certain state insurance laws contain provisions that require pre-acquisition notification to state agencies of a change in control with respect to a non-domestic insurance company licensed to do business in that state. Such approval requirements may deter, delay or prevent certain transactions affecting the ownership of Infinity s common stock.

Infinity is a holding company with no business operations of its own. Consequently, Infinity s ability to pay dividends to shareholders and meet its debt payment obligations is largely dependent on dividends or other distributions from its insurance company subsidiaries, current investments and cash held. State insurance laws restrict the ability of Infinity s insurance company subsidiaries to declare shareholder dividends. These subsidiaries may not make an extraordinary dividend until thirty days after the applicable commissioner of insurance has received notice of the intended dividend and has either not objected or has approved the payment of the extraordinary dividend within the 30-day period. An extraordinary dividend is defined as any dividend or distribution that, together with other distributions made within the preceding twelve months, exceeds the greater of 10% of the insurer s surplus as of the preceding December 31st, or the insurer s net income for the twelve-month period ending the preceding December 31st, in each case determined in accordance with statutory accounting practices. In addition, an insurer s remaining surplus after payment of a cash dividend to shareholder affiliates must be both reasonable in relation to its outstanding liabilities and adequate to its financial needs.

If a shareholder dividend does not rise to the statutory level of an extraordinary dividend, then it is an ordinary dividend. While an insurance company s ability to pay an ordinary dividend does not require the approval of a state insurance department, the company must, by law, file a 10-day notice of ordinary dividend with the appropriate insurance departments. Insurance companies that fail to notify an insurance department of the payment of an ordinary dividend are assessed administrative fines.

The ordinary dividend capacity and payment activity of Infinity s insurance companies for the two most recent years as well as the dividend capacity for the upcoming year are shown in the following table (in thousands):

	2009	2008	2007
Maximum ordinary dividends available to Infinity (a)	$ 43,000	$ 79,001	$ 113,896
Dividends paid from subsidiaries to parent		$ 70,000	$ 90,291

(a) The 2007 maximum ordinary dividend includes a one-time addition of approximately $33 million due to dividends paid to the lead insurance company in the pool from its insurance subsidiaries.