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To the Investment Community:

We have included additional pages in the supplement showing our results both with and without the reserve strengthening announced today.

The supplement continues to provide income by-company and by-line data for the property/casualty and life operations, stated on a GAAP basis, as well as summaries pertaining to our property/casualty operations, stated on a statutory basis.

We hope this will assist you in your analysis of SAFECO.

Sincerely,

Neal Fuller
Vice President-Finance

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FOR RELEASE AT 5:00 a.m. Pacific Time
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SAFECO STRENGTHENS RESERVES BY \$240 MILLION; REPORTS CONTINUED PROGRESS TOWARD RECOVERY

Third-Quarter Highlights

- Posted income, before charges, of \$0.06 per share.
- Increased Property & Casualty loss reserves by \$240 million pretax.
- Sold Credit subsidiary, generating sufficient capital to cover reserve strengthening.
- Steady improvements in core performance of key business lines.
- Continued strengthening the executive leadership team.
- On target to meet aggressive expense-reduction goals.

Summary Financial Results (In millions except per-share data)	3 Months Ended Sept. 30		9 Months Ended Sept. 30	
	2001	2000	2001	2000
Total Revenues	\$ 1,714.7	\$ 1,760.9	\$ 5,201.6	\$ 5,329.5
Income (Loss) before charges* (After tax, before realized gain)	\$ 7.8	\$ 9.1	\$ (13.6)	\$ 25.1
Per Share	\$ 0.06	\$ 0.07	\$ (0.11)	\$ 0.20
Net Income (Loss) (Including discontinued operations)	\$ (100.6)	\$ 45.5	\$ (997.8)	\$ 104.4
Per Share	\$ (0.79)	\$ 0.36	\$ (7.81)	\$ 0.82
* Excludes third-quarter reserve strengthening (\$240 million before tax, \$156 million after tax); third-quarter restructuring charges (\$32 million before tax, \$21 million after tax); and first-quarter goodwill write off (\$1.2 billion before tax, \$917 million after tax).				

SEATTLE — (Oct. 22, 2001) — SAFECO (NASDAQ: SAFC) today reported third-quarter income, before charges, of \$7.8 million — or \$0.06 per diluted share.

Including \$240 million in reserve strengthening and previously announced restructuring charges, SAFECO posted a net quarterly loss of \$100.6 million, or \$0.79 per share.

“We’ve now tackled some of the biggest issues facing the company,” said Mike McGavick, who joined SAFECO as president and chief executive officer in late January. “With the reserve strengthening announced today, we’ve completed the last step in our initial game plan to turn SAFECO around.

“We continue seeing improvement in the core underwriting results of several key business lines,” McGavick added. “This confirms our recent decision to put more of the company’s capital behind our Personal Auto line and less behind our Homeowners line; more capital behind our small-business line and less behind our large-commercial line.”

During the quarter, SAFECO completed a review of Property & Casualty reserve adequacy. The review initially was announced in May.

As a result of the review — which included a study by an independent accounting firm — SAFECO increased loss reserves by \$240 million pretax.

“By being adequately reserved, we’re staying on top of newly developing issues affecting the entire industry,” McGavick said. “This is a key part of SAFECO’s heritage — one that we will preserve going forward.”

Of the additional reserves, \$90 million relates to recent developments to prior-year claims for construction-defect claims, \$80 million for workers compensation, and \$70 million for other items including asbestos and environmental claims.

The reserve strengthening is funded by proceeds from the sale of SAFECO Credit Company, which was completed in August. “We’ve strengthened our balance sheet by bolstering reserves and eliminating \$1.5 billion of debt,” McGavick noted.

In other major developments during the quarter, the company continued building its leadership team by:

- Electing Joseph W. “Jay” Brown, an insurance industry executive with nearly 30 years experience, to SAFECO’s board of directors, and
- Appointing Yom Senegor as SAFECO’s chief information officer, responsible for leading the company’s strategic-planning process.

In addition, SAFECO is on track to achieve expense-reduction and employment-reduction targets outlined in July. Excluding jobs associated with the sale of its credit subsidiary, employment has declined by 600 positions so far this year. SAFECO has announced plans to reduce employment by 10 percent — or a total of 1,200 positions — by the end of 2003, with more than half of the reductions occurring this year.

SAFECO previously announced that restructuring charges associated with employment reductions would be approximately \$60 million. This includes a \$31.8 million charge recorded in the third quarter. An additional charge of approximately \$5 million is anticipated in the fourth quarter, with remaining charges to be taken through 2003.

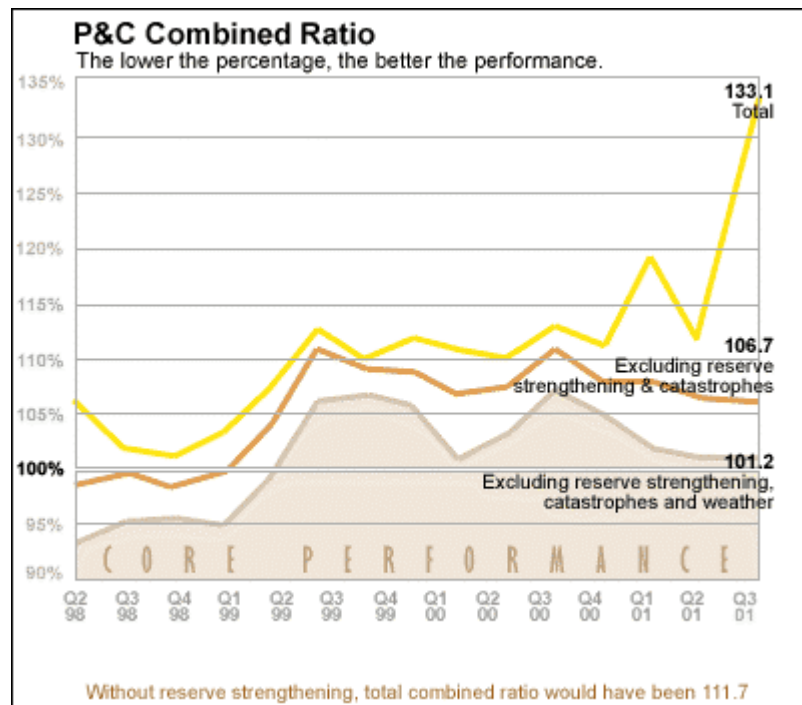
Overall Property & Casualty Performance

The Property & Casualty companies, SAFECO's largest business segment, continued reporting improvements in underlying results as measured by its core combined ratio.

Combined ratio is a commonly used gauge of underwriting performance measuring the percentage of premium dollars used to pay customer claims and expenses. The lower the ratio, the more effective the underwriting.

To provide clarity about the underlying performance of major lines, SAFECO is reporting combined ratio three ways:

- Total combined ratio,
- Combined ratio excluding the effects of reserve strengthening and catastrophes (which SAFECO defines as events generating multiple customer claims totaling more than \$500,000), and
- Combined ratio excluding the effects of non-catastrophe weather, catastrophes and reserve strengthening.



Property & Casualty's core combined ratio for the quarter improved to 101.2, compared with 102.0 in the second quarter.

Total combined ratio, however, climbed to 133.1, largely due to reserve strengthening. Excluding reserve strengthening, total combined ratio for the third quarter was 111.7, an improvement over 119.0 the previous quarter.

Overall, Property & Casualty posted a third-quarter underwriting loss of \$370.8 million, which includes the \$240 million reserve strengthening. This compares with total underwriting losses of \$115.8 million for the same period last year.

Non-catastrophe weather losses in the quarter were \$61 million, above losses typically expected in a normal third quarter.

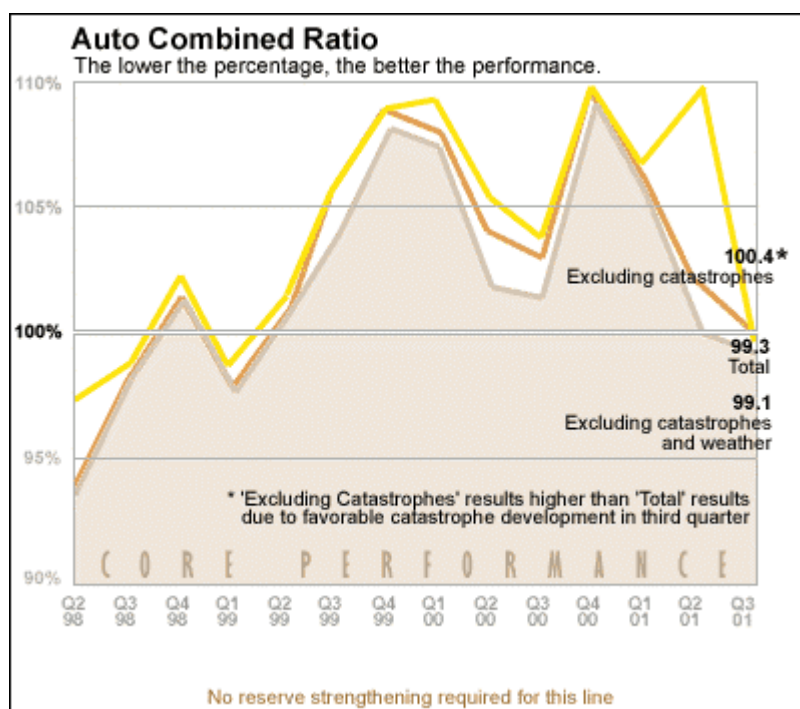
Catastrophe losses were \$56 million. Excluding losses associated with the World Trade Center attack, SAFECO's catastrophe experience for the third quarter was about average.

More than half of SAFECO's catastrophe losses for the quarter were associated with the Sept. 11 attacks. SAFECO's gross exposure to this event is estimated at \$70 million, of which reinsurance — primarily related to losses from the company's Lloyds of London underwriting operation — is expected to cover \$35 million. The company's reinsurance coverage is spread among 17 different reinsurers with high credit quality.

"We maintain our original estimate that SAFECO's net loss from this national tragedy will be \$35 million," McGavick said.

Property & Casualty's net written premiums decreased 2.6 percent in the third quarter compared with the same period last year. This includes a 4.8 percent increase for Personal Auto, a 0.3 percent decrease for Homeowners, an 11.7 percent decrease for Business Insurance, and a 21.3 percent decrease for Commercial Insurance. These results reflect aggressive pricing and re-underwriting actions SAFECO has taken recently.

SAFECO Personal Insurance Performance

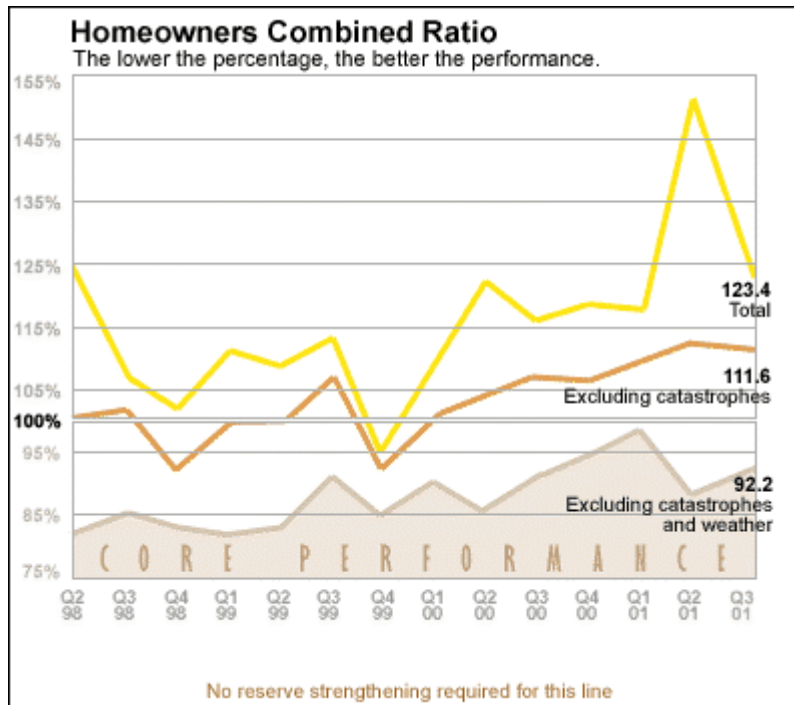


Personal Auto — SAFECO’s largest line — reported a modest underwriting profit of \$2.9 million, compared with an underwriting loss of \$16.5 million during the same period last year.

Core combined ratio improved to 99.1 in the third quarter, and total combined ratio progressed to 99.3. This compares favorably to a total combined ratio of 108.7 during the second quarter, and a core combined ratio of 100.2.

The line’s performance in the quarter marks the first time Auto has generated an underwriting profit since the first quarter of 1999.

“The actions we’ve been taking are having positive effects. Still, this quarter’s Auto results were a bit better than we anticipated.” McGavick said. “Until we string together several consecutive quarters of underwriting profit, I’m hesitant to say we’ve completely turned around the performance of this line. Still, this is a very positive trend.”



Homeowners recorded a third-quarter underwriting loss of \$43.7 million compared with \$31.2 million during the same period last year.

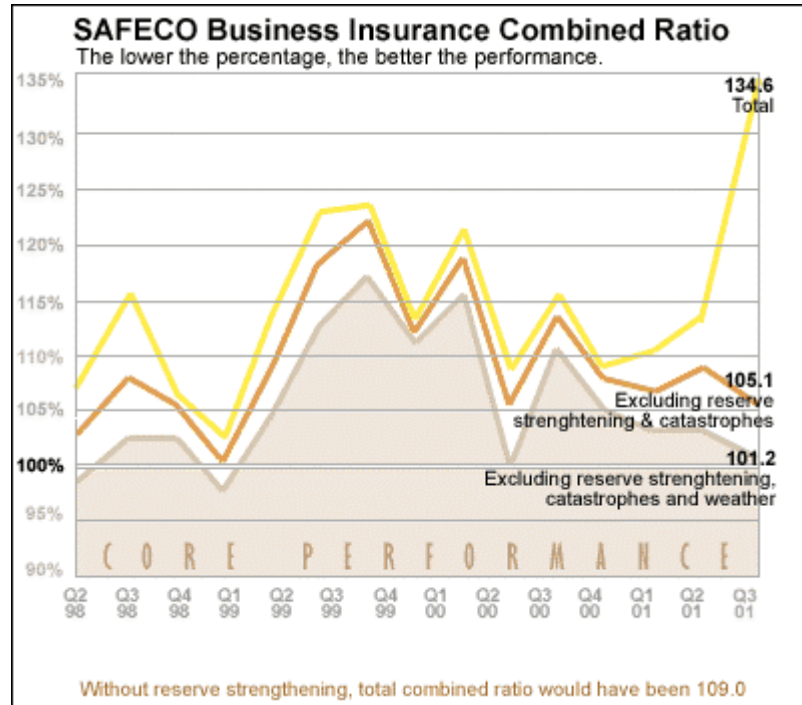
Total combined ratio for the line improved, but this reflects the fact that the Homeowners line was hit hard by severe storms in the second quarter. Core combined ratio for the line slipped to 92.2 in the third quarter compared with 89.9 in the previous quarter.

“We’re still early in our plans to manage Homeowners back to profitability,” McGavick noted. “We’re committed to price this product to provide a fair return.”

The review of loss reserve adequacy concluded that current reserve levels for both Auto and Homeowners are sufficient and don’t need to be increased.

SAFECO Business Insurance Performance

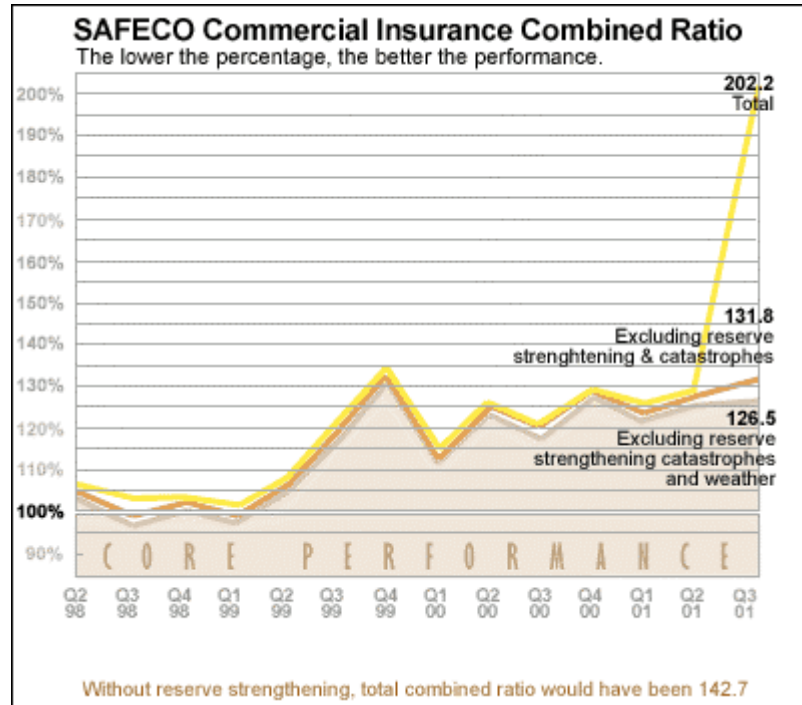
SAFECO has completed consolidation of its two commercial insurance lines, however, it will continue reporting results separately until 2002.



Core combined ratio for SAFECO Business Insurance — the company’s line of products for small-to-medium-sized businesses — improved to 101.2 compared with 103.5 in the second quarter. McGavick attributed the improvement to re-underwriting the book of business and obtaining adequate rates.

“We’re heartened by this continued positive trend,” he said. “We intend to grow this line with a long-term goal of being profitable on an underwriting basis.”

SAFECO Business Insurance recorded third-quarter underwriting losses of \$87.9 million compared with \$43.8 million during the same period last year. The increase is due to \$65 million of reserve strengthening for this line and \$8.1 million in losses associated with the Sept. 11 attacks. The reserve strengthening in this line is mainly associated developments related to older claims for construction defects, and some workers compensation.



Performance of SAFECO Commercial Insurance — the company’s line of products for larger businesses — continues to be affected by adverse workers compensation experience. In response, SAFECO cut by 90 percent the amount of new workers compensation policies it wrote during the third quarter.

Core combined ratio of Commercial Insurance slipped to 126.5 in the third quarter, compared with 124.6 in the previous quarter. Excluding the impact of reserve strengthening, total combined ratio in this line also deteriorated.

SAFECO has been aggressively increasing rates, and exiting significant portions of this line.

SAFECO Commercial Insurance reported a quarterly underwriting loss of \$154.6 million compared with \$33.8 million during the same period last year. Factors contributing to increased underwriting losses include workers compensation results; \$90 million in reserve strengthening; and \$15.7 million in losses associated with the Sept. 11 attacks.

Surety

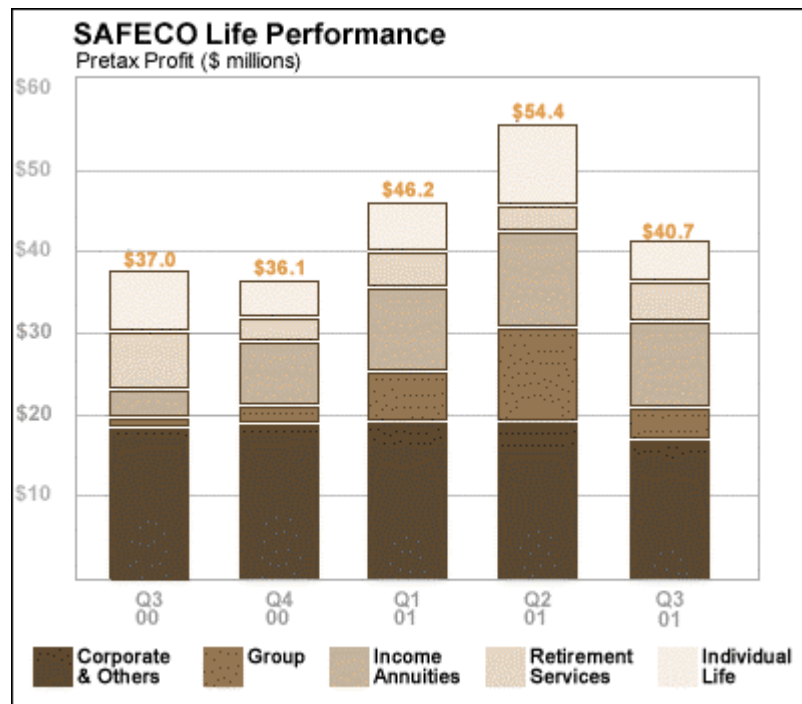
Surety turned in its best quarter in the past year, generating underwriting profits of \$6.3 million. This is up from \$4.6 million in the second quarter, yet largely unchanged from \$6.4 million in pretax profit reported in the third quarter of 2000.

Other lines

Property & Casualty added \$85 million to strengthen loss reserves of its “Other” lines. This strengthening relates primarily to asbestos and construction-defect exposures.

These lines include discontinued reinsurance operations SAFECO acquired when it purchased American States. They also include SAFECO’s London operations, which reported a \$10.0 million loss associated with the attack on the World Trade Center.

Life & Investments Performance



SAFECO Life generated a pretax profit of \$40.7 million during the third quarter, compared with \$37.0 million during the same period last year.

“Life & Investments’ performance is on track with our plans,” McGavick said. He noted the decline from the second quarter’s all-time record performance is largely the result of large claims in several lines and weak performance of equity markets.

Income Annuities' third-quarter profits increased to \$10.3 million, more than double the \$5.0 million generated in the same period last year. This is due mainly to increased investment income.

The Group line of excess-loss coverage for employers with self-funded medical plans produced pretax earnings of \$3.4 million. This compares favorably with \$0.4 million profit generated during the same period last year. Still, earnings were significantly down from a record \$12.1 million generated in the second quarter of this year. The decline is due to an increase in the frequency of large claims during the third quarter.

Individual Life generated a pretax profit of \$4.7 million in the third quarter, down from \$6.4 million during the same period last year, largely as a result of increased claims.

Retirement Services generated pretax profits of \$4.3 million, down from \$6.9 million in the third quarter of 2000, due to customer withdrawals from fixed-interest products and lower investment income. Retirement assets under management grew to \$6.0 billion, up from \$5.8 billion in the previous quarter.

SAFECO Asset Management generated a pretax profit of \$1.6 million in the quarter, down from \$2.9 million during the same period last year. Assets under management declined to \$4.6 billion, down from \$5.4 billion in the second quarter as a result of declines in the equity markets.

Management Discusses Performance In Webcast

SAFECO's senior management team will discuss the company's third-quarter performance with analysts today at 11 a.m. Eastern Time (8 a.m. Pacific Time). The conference call will be broadcast live on the Internet at <http://www.safeco.com/irwebcast> and archived later in the day for replay.

SAFECO, in business since 1923, is a Fortune 500 company based in Seattle that sells insurance and related financial products through more than 17,000 independent agents and financial advisors. More information about SAFECO is available online at www.safeco.com

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FORWARD-LOOKING INFORMATION IS SUBJECT TO RISK AND UNCERTAINTY

Statements made in this report that relate to anticipated financial performance, business prospects and plans, regulatory developments and similar matters may be considered “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Statements in this report that are not historical information are forward-looking. Such statements are subject to certain risks and uncertainties that may cause the operations, performance, development and results of SAFECO’s business to differ materially from those suggested by the forward-looking statements. The risks and uncertainties include:

- SAFECO’s ability to obtain rate increases and non-renew underpriced insurance accounts;
- Achievement of SAFECO’s premium targets and profitability;
- Decrease in large-commercial premium volume;
- Achievement of expense savings from consolidation of commercial operations;
- Achievement of SAFECO’s expense reduction goals;
- Realization of growth and business retention estimates;
- Changes in the nature of the property and casualty book of business;
- Driving patterns;
- Changes in competition and pricing environments;
- Weather conditions, including the severity and frequency of storms, hurricanes, snowfalls, hail and winter conditions;
- The occurrence of significant natural disasters, including earthquakes;
- The occurrence of significant disasters, such as the attack on Sept. 11, 2001;
- The adequacy of loss reserves;
- The availability, pricing and ability to collect reinsurance;
- The ability to exclude and to reinsure the risk of loss from terrorism;
- Court decisions and trends in litigation;
- Legislative and regulatory developments;
- Rating agency actions;
- The effect of current ratings levels on business production;
- Availability of bank credit facilities;
- Fluctuations in interest rates;
- Performance of financial markets; and
- General economic and market conditions.

In particular, because insurance rates in some jurisdictions are subject to regulatory review and approval, SAFECO’s achievement of rate increases may occur in amounts and on a time schedule different than planned, which may affect the Corporation’s efforts to restore earnings in the property and casualty lines.

SAFECO CORPORATION AND SUBSIDIARIES
Business Segment Performance
(In Millions)

Pretax Income (Loss) by Segment (Excluding goodwill write-off)	Nine Months Ended		Three Months Ended	
	September 30		September 30	
	2001	2000	2001	2000
Property & Casualty Insurance				
Underwriting Loss*	\$ (711.2)	\$ (372.8)	\$ (370.8)	\$ (115.8)
Net Investment Income	340.7	343.2	111.2	115.6
Goodwill Amortization	(11.0)	(33.0)	-	(11.0)
Restructuring Charge	(31.8)	-	(31.8)	-
Total Property & Casualty	(413.3)	(62.6)	(291.4)	(11.2)
Life & Investments				
Life Insurance	141.2	121.5	40.6	37.1
Asset Management	5.4	11.2	1.6	2.9
Corporate	(37.9)	(44.2)	(13.6)	(17.8)
Total	<u>\$ (304.6)</u>	<u>\$ 25.9</u>	<u>\$ (262.8)</u>	<u>\$ 11.0</u>

*Includes third quarter 2001 loss reserve strengthening of \$240.0, pretax.

SAFECO CORPORATION AND SUBSIDIARIES
Operating Summary (Unaudited)
(In Millions Except Per Share Amounts)

	Nine Months Ended September 30		Three Months Ended September 30	
	2001	2000	2001	2000
Revenues				
Property and Casualty Insurance:				
Premiums Written	\$ 3,482.0	\$ 3,614.6	\$ 1,144.6	\$ 1,184.8
Net Investment Income	340.7	343.2	111.2	115.6
Life	1,273.2	1,259.1	425.2	420.6
Asset Management	27.2	32.7	8.8	9.9
Talbot Financial	63.4	59.0	19.9	19.1
Other	15.1	20.9	5.0	10.9
Total Revenues	<u>\$ 5,201.6</u>	<u>\$ 5,329.5</u>	<u>\$ 1,714.7</u>	<u>\$ 1,760.9</u>
Income (Loss) (All amounts net of tax):				
Income (Loss) Before Charges	\$ (13.6)	\$ 25.1	\$ 7.8	\$ 9.1
Loss Reserve Strengthening	(156.0)	-	(156.0)	-
Restructuring Charge	(20.7)	-	(20.7)	-
One-time Write-off of Goodwill	(916.9)	-	-	-
Realized Gain from Investments	53.3	70.6	12.9	33.3
Income (Loss) from Continuing Operations	<u>(1,053.9)</u>	<u>95.7</u>	<u>(156.0)</u>	<u>42.4</u>
Income from Discontinued Credit Operations, Net of Tax	4.2	8.7	1.4	3.1
Gain from Sale of Credit Operations, Net of Tax	54.0	-	54.0	-
Total	<u>58.2</u>	<u>8.7</u>	<u>55.4</u>	<u>3.1</u>
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(995.7)	104.4	(100.6)	45.5
Cumulative Effect of Change in Accounting Principle - FAS 133	<u>(2.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (997.8)</u>	<u>\$ 104.4</u>	<u>\$ (100.6)</u>	<u>\$ 45.5</u>
<i>Per Share of Common Stock:</i>				
Income (Loss) Before Charges	\$ (0.11)	\$ 0.20	\$ 0.06	\$ 0.07
Loss Reserve Strengthening	(1.22)	-	(1.22)	-
Restructuring Charge	(0.16)	-	(0.16)	-
One-time Write-off of Goodwill	(7.17)	-	-	-
Realized Gain from Investments	0.42	0.55	0.10	0.26
Income (Loss) from Continuing Operations	<u>(8.24)</u>	<u>0.75</u>	<u>(1.22)</u>	<u>0.33</u>
Income from Discontinued Credit Operations, Net of Tax	0.03	0.07	0.01	0.03
Gain from Sale of Credit Operations, Net of Tax	0.42	-	0.42	-
Total	<u>0.45</u>	<u>0.07</u>	<u>0.43</u>	<u>0.03</u>
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(7.79)	0.82	(0.79)	0.36
Cumulative Effect of Change in Accounting Principle - FAS 133	<u>(0.02)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (7.81)</u>	<u>\$ 0.82</u>	<u>\$ (0.79)</u>	<u>\$ 0.36</u>
Dividends Paid to Common Shareholders	\$ 0.74	\$ 1.11	\$ 0.18	\$ 0.37
Common Shares Used for Calculating Income (Loss) Per Share	127.7	127.9	127.8	127.7

SAFECO CORPORATION AND SUBSIDIARIES
Income Summary (Unaudited)

(In Millions)

	Nine Months Ended September 30		Three Months Ended September 30	
	2001	2000	2001	2000
Income (Loss) before Realized Gain and Income Taxes:				
Property and Casualty Insurance:				
Underwriting Loss*	\$ (711.2)	\$ (372.8)	\$ (370.8)	\$ (115.8)
Net Investment Income	340.7	343.2	111.2	115.6
Goodwill Amortization	(11.0)	(33.0)	-	(11.0)
Restructuring Charge	(31.8)	-	(31.8)	-
Total Property and Casualty	(413.3)	(62.6)	(291.4)	(11.2)
Life	141.2	121.5	40.6	37.1
Asset Management	5.4	11.2	1.6	2.9
Corporate	(37.9)	(44.2)	(13.6)	(17.8)
One-time Write-off of Goodwill	(1,201.0)	-	-	-
Total	(1,505.6)	25.9	(262.8)	11.0
Realized Gain from Security Investments	80.7	108.6	18.5	51.4
Income (Loss) before Income Taxes	(1,424.9)	134.5	(244.3)	62.4
Provision (Benefit) for Income Taxes on:				
Income (Loss) before Realized Gain	(432.1)	(32.8)	(105.2)	(9.3)
Realized Investment Gain (Loss)	27.4	38.0	5.6	18.1
Total	(404.7)	5.2	(99.6)	8.8
Income (Loss) before Distributions on Capital Securities	(1,020.2)	129.3	(144.7)	53.6
Distributions on Capital Securities, Net of Tax	(33.7)	(33.6)	(11.3)	(11.2)
Income (Loss) from Continuing Operations	(1,053.9)	95.7	(156.0)	42.4
Income from Discontinued Credit Operations, Net of Tax	4.2	8.7	1.4	3.1
Gain from Sale of SAFECO Credit, Net of Tax	54.0	-	54.0	-
Total	58.2	8.7	55.4	3.1
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(995.7)	104.4	(100.6)	45.5
Cumulative Effect of Change in Accounting Principle - FAS 133, Net of Tax	(2.1)	-	-	-
Net Income (Loss)	\$ (997.8)	\$ 104.4	\$ (100.6)	\$ 45.5

*Includes third quarter 2001 loss reserve strengthening of \$240.0, pretax.

SAFECO CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet

(In Millions)

	September 30 2001	December 31 2000
	(Unaudited)	
ASSETS		
Investments:		
Fixed Maturities Available-for-Sale, at Market Value (Amortized cost: \$20,146.5; \$20,388.1)	\$ 21,145.9	\$ 20,830.2
Marketable Equity Securities, at Market Value (Cost: \$883.7; \$875.9)	1,495.5	1,815.4
Mortgage Loans	886.3	823.0
Real Estate (At cost less accumulated depreciation)	40.9	51.4
Policy Loans	90.6	91.5
Other Invested Assets	88.0	17.4
Short-Term Investments	1,129.2	182.3
Total Investments	24,876.4	23,811.2
Cash	151.7	186.3
Accrued Investment Income	330.7	327.8
Premiums and Other Service Fees Receivable	1,043.0	1,063.0
Other Notes and Accounts Receivable	199.4	37.6
Deferred Income Tax Recoverable	232.6	-
Reinsurance Recoverables	459.3	461.7
Deferred Policy Acquisition Costs	623.9	605.4
Land, Buildings and Equipment for Company Use (At cost less accumulated depreciation)	558.4	440.1
Goodwill and Intangibles (Accumulated amortization: \$54.3; \$202.8)	98.3	1,307.4
Other Assets	188.2	260.9
Net Assets of Discontinued Credit Operations	-	481.2
Separate Account Assets	1,070.2	1,275.1
TOTAL	\$ 29,832.1	\$ 30,257.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and Adjustment Expense	\$ 5,015.1	\$ 4,686.9
Life Policy Liabilities	328.9	342.1
Unearned Premiums	1,848.4	1,836.5
Funds Held Under Deposit Contracts	14,436.8	14,085.7
Debt:		
Commercial Paper	269.8	349.8
Medium-Term Notes Due 2003	318.7	300.0
7.875% Notes Due 2005	200.0	200.0
6.875% Notes Due 2007	200.0	200.0
Other (\$5.9 maturing within one year)	76.5	80.8
Other Liabilities	1,440.4	1,269.1
Current Income Taxes	19.7	25.8
Deferred Income Taxes (Includes tax on unrealized appreciation of investment securities: \$562.3; \$483.8)	-	67.2
Separate Account Liabilities	1,070.2	1,275.1
Total Liabilities	25,224.5	24,719.0
Capital Securities	843.3	843.0
Preferred Stock, No Par Value:		
Shares Authorized: 10		
Shares Issued and Outstanding: None	-	-
Common Stock, No Par Value:		
Shares Authorized: 300		
Shares Reserved for Options: (6.5; 7.1)		
Shares Issued and Outstanding: (127.8; 127.6)	840.8	834.5
Retained Earnings	1,893.7	2,966.4
Total Accumulated Other Comprehensive Income, Net of Tax:		
Unrealized Appreciation of Investment Securities	1,036.5	902.1
Unrealized Loss from Foreign Currency Translation	(7.9)	(7.3)
Unrealized Loss from Derivative Instruments and Hedging Activities	1.2	-
Total Shareholders' Equity	3,764.3	4,695.7
TOTAL	\$ 29,832.1	\$ 30,257.7

SAFECO Corporation
Income by Company
Prepared on the Basis of Generally Accepted Accounting Principles
(In Thousands)

	Period Ended September 30			
	Nine Months		Quarter Only	
	2001	2000	2001	2000
Pre-tax Income (Loss):				
P & C Underwriting	\$ (711,152)	\$ (372,812)	\$ (370,771)	\$ (115,765)
P & C Investment Income	340,651	343,164	111,121	115,518
Goodwill Amortization	(11,000)	(33,000)	-	(11,000)
Restructuring Charge	(31,795)	-	(31,795)	-
Total P & C	(413,296)	(62,648)	(291,445)	(11,247)
Life	141,225	121,481	40,652	37,041
Asset Management	5,403	11,264	1,582	2,970
Parent Company	(38,835)	(47,298)	(13,960)	(19,259)
Real Estate	847	3,147	275	1,560
Total Corporate	(37,988)	(44,151)	(13,685)	(17,699)
Distributions on Capital Securities	(51,792)	(51,792)	(17,264)	(17,264)
Income (Loss) Before Realized Gain	(356,448)	(25,846)	(280,160)	(6,199)
Write-off of Goodwill	(1,200,958)	-	-	-
Realized Gain	80,703	108,601	18,521	51,404
Income (Loss) from Continuing Operations	(1,476,703)	82,755	(261,639)	45,205
Income from Discontinued Operations - SAFECO Credit	6,257	13,193	1,770	4,267
Gain from Sale of Discontinued Operations - SAFECO Credit	97,031	-	97,031	-
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(1,373,415)	95,948	(162,838)	49,472
Cumulative Effect of Change in Accounting Principle - FAS 133	(3,233)	-	-	-
Total	\$ (1,376,648)	\$ 95,948	\$ (162,838)	\$ 49,472
Income Taxes:				
P & C Underwriting	\$ (245,263)	\$ (129,680)	\$ (127,489)	\$ (39,709)
P & C Investment Income	73,136	72,184	23,481	24,424
Goodwill Amortization	(2,583)	(7,739)	-	(2,473)
Restructuring Charge	(11,128)	-	(11,128)	-
Total P & C	(185,838)	(65,235)	(115,136)	(17,758)
Life	49,498	42,762	14,099	12,753
Asset Management	1,855	3,928	514	1,017
Parent Company	(13,584)	(15,497)	(4,686)	(6,169)
Real Estate	5	1,270	(86)	880
Total Corporate	(13,579)	(14,227)	(4,772)	(5,289)
Distributions on Capital Securities	(18,127)	(18,128)	(6,042)	(6,043)
Loss Before Realized Gain	(166,191)	(50,900)	(111,337)	(15,320)
Write-off of Goodwill	(284,099)	-	-	-
Realized Gain	27,448	38,003	5,702	18,123
Income (Loss) from Continuing Operations	(422,842)	(12,897)	(105,635)	2,803
Income from Discontinued Operations - SAFECO Credit	2,128	4,471	432	1,209
Gain from Sale of Discontinued Operations - SAFECO Credit	43,004	-	43,004	-
Loss before Cumulative Effect of Change in Accounting Principle	(377,710)	(8,426)	(62,199)	4,012
Cumulative Effect of Change in Accounting Principle - FAS 133	(1,132)	-	-	-
Total	\$ (378,842)	\$ (8,426)	\$ (62,199)	\$ 4,012

SAFECO Corporation
Income by Company
Prepared on the Basis of Generally Accepted Accounting Principles
(In Thousands except Per Share Amounts)

	Period Ended September 30			
	Nine Months		Quarter Only	
	2001	2000	2001	2000
After-tax Income (Loss):				
P & C Underwriting	\$ (465,889)	\$ (243,132)	\$ (243,282)	\$ (76,056)
P & C Investment Income	267,515	270,980	87,640	91,094
Goodwill Amortization	(8,417)	(25,261)	-	(8,527)
Restructuring Charge	(20,667)	-	(20,667)	-
Total P & C	(227,458)	2,587	(176,309)	6,511
Life	91,727	78,719	26,553	24,288
Asset Management	3,548	7,336	1,068	1,953
Parent Company	(25,251)	(31,801)	(9,274)	(13,090)
Real Estate	842	1,877	361	680
Total Corporate	(24,409)	(29,924)	(8,913)	(12,410)
Distributions on Capital Securities	(33,665)	(33,664)	(11,222)	(11,221)
Income Before Realized Gain	(190,257)	25,054	(168,823)	9,121
Write-off of Goodwill	(916,859)	-	-	-
Realized Gain	53,255	70,598	12,819	33,281
Income (Loss) from Continuing Operations	(1,053,861)	95,652	(156,004)	42,402
Income from Discontinued Operations - SAFECO Credit	4,129	8,722	1,338	3,058
Gain from Sale of Discontinued Operations - SAFECO Credit	54,027	-	54,027	-
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(995,705)	104,374	(100,639)	45,460
Cumulative Effect of Change in Accounting Principle - FAS 133	(2,101)	-	-	-
Total	<u>\$ (997,806)</u>	<u>\$ 104,374</u>	<u>\$ (100,639)</u>	<u>\$ 45,460</u>
Earnings Per Share:				
P & C Underwriting	\$ (3.65)	\$ (1.90)	\$ (1.91)	\$ (0.59)
P & C Investment Income	2.09	2.12	0.68	0.71
Goodwill Amortization	(0.07)	(0.20)	-	(0.07)
Restructuring Charge	(0.16)	-	(0.16)	-
Total P & C	(1.79)	0.02	(1.39)	0.05
Life	0.72	0.61	0.21	0.18
Asset Management	0.03	0.06	0.01	0.02
Parent Company	(0.20)	(0.25)	(0.08)	(0.11)
Real Estate	0.01	0.02	0.01	0.01
Total Corporate	(0.19)	(0.23)	(0.07)	(0.10)
Distributions on Capital Securities	(0.26)	(0.26)	(0.08)	(0.08)
Income Before Realized Gain	(1.49)	0.20	(1.32)	0.07
Write-off of Goodwill	(7.17)	-	-	-
Realized Gain	0.42	0.55	0.10	0.26
Income (Loss) from Continuing Operations	(8.24)	0.75	(1.22)	0.33
Income from Discontinued Operations - SAFECO Credit	0.03	0.07	0.01	0.03
Gain from Sale of Discontinued Operations - SAFECO Credit	0.42	-	0.42	-
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(7.79)	0.82	(0.79)	0.36
Cumulative Effect of Change in Accounting Principle - FAS 133	(0.02)	-	-	-
Total	<u>\$ (7.81)</u>	<u>\$ 0.82</u>	<u>\$ (0.79)</u>	<u>\$ 0.36</u>
Income (Loss) from Continuing Operations Before Realized Gain, with Goodwill Amortization Added Back ("Cash Earnings")	<u>\$ (1.36)</u>	<u>\$ 0.46</u>	<u>\$ (1.30)</u>	<u>\$ 0.15</u>
Average Shares Outstanding	127,727	127,874	127,767	127,742
Book Value Per Share	\$ 29.46	\$ 33.60	\$ 29.46	\$ 33.60
Book Value Per Share with all Securities at Market, Net of Tax	\$ 29.46	\$ 33.93	\$ 29.46	\$ 33.93

SAFECO Corporation
SAFECO Property and Casualty Operations
Statutory Basis
(Thousands of Dollars except Ratios)

For the Period Ended September 30

	Nine Months		Quarter Only	
	2001	2000	2001	2000
Underwriting Results:				
Net Premiums Written	\$ 3,386,602	\$ 3,476,155	\$ 1,115,171	\$ 1,141,446
Change in Unearned Premium	(31,189)	(74,432)	3,353	(2,039)
Net Premiums Earned	<u>3,355,413</u>	<u>3,401,723</u>	<u>1,118,524</u>	<u>1,139,407</u>
Net Losses Incurred	2,567,764	2,398,170	941,774	799,601
Loss Expense Incurred	490,002	411,553	210,706	138,739
Other U/W Expense Incurred	<u>1,072,151</u>	<u>988,083</u>	<u>376,633</u>	<u>324,585</u>
Total Losses and Expense	<u>4,129,917</u>	<u>3,797,806</u>	<u>1,529,113</u>	<u>1,262,925</u>
Underwriting Loss	(774,504)	(396,083)	(410,589)	(123,518)
Investment Results:				
Net Investment Income Earned	334,282	342,576	110,987	113,480
Net Realized Capital Gain	<u>108,976</u>	<u>128,437</u>	<u>34,246</u>	<u>(1,386)</u>
Net Gain from Investments	443,258	471,013	145,233	112,094
Other Income	9,414	12,357	4,139	5,159
Dividends to Policyholders	<u>4,601</u>	<u>8,716</u>	<u>1,740</u>	<u>3,495</u>
Net Income Before Income Taxes	(326,433)	78,570	(262,957)	(9,760)
Income Tax Benefit	<u>(87,254)</u>	<u>(41,988)</u>	<u>(45,693)</u>	<u>(27,669)</u>
Net Income	<u>\$ (239,179)</u>	<u>\$ 120,558</u>	<u>\$ (217,264)</u>	<u>\$ 17,909</u>
<u>Loss and Expense Ratios:</u>				
Losses and Loss AE to Premiums Earned	91.1%	82.6%	103.0%	82.4%
Other Underwriting Expenses to Net Premiums Written	<u>31.7</u>	<u>28.4</u>	<u>33.8</u>	<u>28.4</u>
Total Loss and Expense to Premiums Earned	<u>122.8</u>	<u>111.0</u>	<u>136.8</u>	<u>110.8</u>
Dividends to Policyholders to Premiums Earned	<u>0.1</u>	<u>0.3</u>	<u>0.2</u>	<u>0.3</u>
Total	<u><u>122.9%</u></u>	<u><u>111.3%</u></u>	<u><u>137.0%</u></u>	<u><u>111.1%</u></u>
Balance Sheet:			September 30	December 31
<u>Property and Casualty Companies Only *</u>			2001	2000
Net Admitted Assets			\$ 9,454,511	\$ 9,020,321
Loss Reserve			3,754,964	3,482,473
Loss Adjustment Expense Reserve			849,364	786,666
Unearned Premium Reserve			1,804,348	1,770,612
Reserve for Dividends to Policyholders			21,114	25,418
Total Capital and Surplus			2,219,680 **	2,343,034

* Certain 2001 amounts used are estimated and subject to change. Such changes are not expected to be material.

** Includes \$250 million capital contribution from SAFECO Corporation made September 28, 2001.

SAFECO Corporation
SAFECO Property and Casualty Operations
Prepared on the Basis of Generally Accepted Accounting Principles
(Thousands of Dollars)

	For the Period Ended September 30					
	Nine Months			Quarter Only		
	Premium Growth	2001	2000	2001	2000	Premium Growth
Net Written Premiums:						
Personal:						
Voluntary Auto	2.8%	\$ 1,338,067	\$ 1,302,014	\$ 456,158	\$ 435,355	4.8 %
Homeowners	-0.4	564,684	567,042	201,205	201,808	-0.3
Other Personal	6.3	158,014	148,670	53,419	53,377	0.1
Non-Voluntary	-9.2	4,300	4,735	1,839	1,386	32.7
Total Personal	<u>2.1</u>	<u>2,065,065</u>	<u>2,022,461</u>	<u>712,621</u>	<u>691,926</u>	<u>3.0</u>
SAFECO Business Insurance:						
CMP	-16.2	211,679	252,503	65,668	73,282	-10.4
BOP	-4.7	110,156	115,639	35,113	37,887	-7.3
Voluntary Auto	-16.4	208,153	248,976	65,159	71,294	-8.6
Voluntary Workers Comp.	-30.0	92,340	131,884	25,668	38,218	-32.8
General Liability	-9.0	50,609	55,603	15,765	16,815	-6.2
Property	-4.5	40,206	42,086	13,307	13,637	-2.4
Other	-8.3	49,975	54,523	16,256	17,279	-5.9
Total SAFECO Business Insurance	<u>-15.3</u>	<u>763,118</u>	<u>901,214</u>	<u>236,936</u>	<u>268,412</u>	<u>-11.7</u>
SAFECO Commercial Insurance:						
Voluntary Auto	-3.2	76,607	79,126	26,790	29,299	-8.6
Voluntary Workers Comp.	-28.8	128,394	180,393	28,272	54,842	-48.4
General Liability	3.7	117,061	112,937	34,496	34,235	0.8
Property	-9.7	82,017	90,812	26,518	33,375	-20.5
Other	7.8	52,244	48,485	16,175	16,385	-1.3
Total SAFECO Commercial Insurance	<u>-10.8</u>	<u>456,323</u>	<u>511,753</u>	<u>132,251</u>	<u>168,136</u>	<u>-21.3</u>
Surety	104.8	101,357	49,482	33,146	15,818	109.5
Other	201.6	739	245	218	153	42.5
Total All Lines	<u>-2.8%</u>	<u>\$ 3,386,602</u>	<u>\$ 3,485,155</u>	<u>\$ 1,115,172</u>	<u>\$ 1,144,445</u>	<u>-2.6 %</u>

SAFECO Corporation
SAFECO Property and Casualty Operations
Prepared on the Basis of Generally Accepted Accounting Principles

<u>Net Combined Ratios:</u>	For the Period Ended September 30			
	Nine Months		Quarter Only	
	2001	2000	2001	2000
Personal:				
Voluntary Auto	104.8 %	106.2 %	99.3 %	103.8 %
Homeowners	131.1	115.3	123.4	116.9
Other Personal	98.1	91.4	94.1	96.3
Non-Voluntary	65.1	139.6	121.0	99.5
Total Personal	111.4	107.8	105.6	106.9
SAFECO Business Insurance:				
CMP	121.2	119.7	149.3	129.1
BOP	124.4	113.8	121.5	104.7
Voluntary Auto	113.5	118.2	106.6	117.4
Voluntary Workers Comp.	140.4	113.6	196.6	110.1
General Liability	136.1	126.6	200.3	125.4
Property	89.5	96.3	82.0	95.7
Other	85.6	82.0	82.5	75.5
Total SAFECO Business Insurance	119.0	114.6	134.6	114.8
SAFECO Commercial Insurance:				
Voluntary Auto	111.4	125.3	107.3	137.2
Voluntary Workers Comp.	198.6	141.6	306.5	151.1
General Liability	160.5	116.2	229.5	96.9
Property	120.3	109.4	143.2	114.1
Other	104.1	80.2	108.0	64.9
Total SAFECO Commercial Insurance	151.0	120.5	202.2	120.5
Surety	80.5	70.6	76.5	59.0
Other	NM	-13.5	NM	NM
Total All Lines	121.2 %	110.9 %	133.1 %	110.1 %

SAFECO Corporation
SAFECO Property and Casualty Operations
Prepared on the Basis of Generally Accepted Accounting Principles

Net Combined Ratios:	For the Period Ended September 30			
	Nine Months		Quarter Only	
	2001	2000	2001	2000
Without Reserve Adjustment				
Personal:				
Voluntary Auto	104.8 %	106.2 %	99.3 %	103.8 %
Homeowners	131.1	115.3	123.4	116.9
Other Personal	98.1	91.4	94.1	96.3
Non-Voluntary	65.1	139.6	121.0	99.5
Total Personal	111.4	107.8	105.6	106.9
SAFECO Business Insurance:				
CMP	109.8	119.7	113.8	129.1
BOP	124.4	113.8	121.5	104.7
Voluntary Auto	113.5	118.2	106.6	117.4
Voluntary Workers Comp.	115.7	113.6	115.9	110.1
General Liability	105.3	126.6	106.9	124.5
Property	89.5	96.3	82.0	95.7
Other	85.6	82.0	82.5	75.5
Total SAFECO Business Insurance	110.8	114.6	109.0	114.8
SAFECO Commercial Insurance:				
Voluntary Auto	111.4	125.3	107.3	137.2
Voluntary Workers Comp.	161.5	141.6	182.7	151.1
General Liability	130.1	116.2	135.7	96.9
Property	120.3	109.4	143.2	114.1
Other	104.1	80.2	108.0	64.9
Total SAFECO Commercial Insurance	132.3	120.5	142.7	120.5
Surety	80.5	70.6	76.5	59.0
Other	NM	-13.6	NM	NM
Total All Lines	114.0 %	110.9 %	111.7 %	110.1 %

SAFECO Corporation
SAFECO Property and Casualty Operations
Prepared on the Basis of Generally Accepted Accounting Principles
(Thousands of Dollars)

Net U/W Profit (Loss):	For the Period Ended September 30			
	Nine Months		Quarter Only	
	2001	2000	2001	2000
Personal:				
Voluntary Auto	\$ (62,427)	\$ (80,231)	\$ 2,923	\$ (16,483)
Homeowners	(172,370)	(83,383)	(43,704)	(31,220)
Other Personal	2,797	11,939	3,015	1,747
Non-Voluntary	1,417	(1,860)	(329)	7
Total Personal	<u>(230,583)</u>	<u>(153,535)</u>	<u>(38,095)</u>	<u>(45,949)</u>
SAFECO Business Insurance:				
CMP	(46,560)	(49,912)	(34,770)	(24,338)
BOP	(27,190)	(14,430)	(7,872)	(1,735)
Voluntary Auto	(29,122)	(44,549)	(4,575)	(14,223)
Voluntary Workers Comp.	(40,924)	(17,851)	(29,928)	(4,379)
General Liability	(17,610)	(13,966)	(16,112)	(4,358)
Property	4,158	1,521	2,354	591
Other	7,276	9,994	3,015	4,695
Total SAFECO Business Insurance	<u>(149,972)</u>	<u>(129,193)</u>	<u>(87,887)</u>	<u>(43,747)</u>
SAFECO Commercial Insurance:				
Voluntary Auto	(9,196)	(20,761)	(1,982)	(10,073)
Voluntary Workers Comp.	(146,227)	(68,806)	(91,751)	(26,922)
General Liability	(69,632)	(17,926)	(48,315)	1,151
Property	(17,395)	(8,232)	(11,282)	(4,224)
Other	(2,053)	11,883	(1,311)	6,250
Total SAFECO Commercial Insurance	<u>(244,503)</u>	<u>(103,842)</u>	<u>(154,640)</u>	<u>(33,818)</u>
Surety	13,155	13,490	6,344	6,399
Other	(99,249)	268	(96,494)	1,349
Total All Lines	<u>\$ (711,152)</u>	<u>\$ (372,812)</u>	<u>\$ (370,772)</u>	<u>\$ (115,766)</u>

SAFECO Corporation
SAFECO Property and Casualty Operations
Prepared on the Basis of Generally Accepted Accounting Principles
(Thousands of Dollars)

<u>Net U/W Profit (Loss):</u>	For the Period Ended September 30			
	Nine Months		Quarter Only	
Without Reserve Adjustment	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Personal:				
Voluntary Auto	\$ (62,427)	\$ (80,231)	\$ 2,923	\$ (16,483)
Homeowners	(172,370)	(83,383)	(43,704)	(31,220)
Other Personal	2,797	11,939	3,015	1,747
Non-Voluntary	1,417	(1,860)	(329)	7
Total Personal	<u>(230,583)</u>	<u>(153,535)</u>	<u>(38,094)</u>	<u>(45,949)</u>
SAFECO Business Insurance:				
CMP	(21,560)	(49,912)	(9,770)	(24,338)
BOP	(27,190)	(14,430)	(7,872)	(1,735)
Voluntary Auto	(29,122)	(44,549)	(4,575)	(14,223)
Voluntary Workers Comp.	(15,924)	(17,851)	(4,928)	(4,379)
General Liability	(2,610)	(13,966)	(1,112)	(4,358)
Property	4,158	1,521	2,354	591
Other	7,276	9,994	3,015	4,695
Total SAFECO Business Insurance	<u>(84,972)</u>	<u>(129,193)</u>	<u>(22,888)</u>	<u>(43,747)</u>
SAFECO Commercial Insurance:				
Voluntary Auto	(9,196)	(20,761)	(1,982)	(10,073)
Voluntary Workers Comp.	(91,227)	(68,806)	(36,751)	(26,922)
General Liability	(34,632)	(17,926)	(13,314)	1,151
Property	(17,395)	(8,232)	(11,282)	(4,224)
Other	(2,053)	11,883	(1,311)	6,250
Total SAFECO Commercial Insurance	<u>(154,503)</u>	<u>(103,842)</u>	<u>(64,640)</u>	<u>(33,818)</u>
Surety	13,155	13,490	6,344	6,399
Other	(14,249)	268	(11,494)	1,356
Total All Lines	<u>\$ (471,152)</u>	<u>\$ (372,812)</u>	<u>\$ (130,771)</u>	<u>\$ (115,758)</u>

SAFECO Corporation
SAFECO Property and Casualty Operations
Supplemental Statistics
(In Thousands except for Policy Count)

	<u>9/30/2001</u>	<u>6/30/2001</u>	<u>3/31/2001</u>	<u>12/31/2000</u>	<u>9/30/2000</u>
Personal Lines					
Personal Lines Loss and AE Ratio	79.4%	93.8%	81.9%	83.4%	82.3%
Personal Lines Expense Ratio	26.2%	26.2%	26.8%	27.1%	24.6%
Total Combined Ratio	105.6%	120.0%	108.7%	110.5%	106.9%

Commercial Lines					
Commercial Lines Loss and AE Ratio (Combined)	125.0%	84.7%	82.6%	84.3%	83.8%
Commercial Lines Expense Ratio	34.8%	34.3%	33.7%	32.4%	33.0%
Total Combined Ratio	159.8%	119.0%	116.3%	116.7%	116.8%

Personal Lines Policy Count (In Force):	<u>9/30/2001</u>	<u>12 Mo. % Change</u>
Auto	1,430,143	-4.0%
Homeowners	1,442,316	-7.3%

Gross Written Premium:	QUARTER ONLY				
	<u>9/30/2001</u>	<u>6/30/2001</u>	<u>3/31/2001</u>	<u>12/31/2000</u>	<u>9/30/2000</u>
Gross Written Premium	\$1,144,607	\$1,180,946	\$1,156,405	\$1,094,428	\$1,184,813
Change over Prior Year	-3.39%	-4.30%	-3.30%	-1.66%	-1.82%
	YEAR TO DATE				
	<u>9/30/2001</u>				<u>9/30/2000</u>
Gross Written Premium	\$3,481,958				\$3,614,640
Change over Prior Year	-3.67%				2.34%

Policy Reserves (GAAP - Net):	<u>9/30/2001</u>	<u>Change from 12/31/00</u>
Total Loss and AE Reserves	\$4,604,328	\$335,189

Catastrophes and Non-Catastrophe Weather:	QUARTER ONLY				
	<u>9/30/2001</u>	<u>6/30/2001</u>	<u>3/31/2001</u>	<u>12/31/2000</u>	<u>9/30/2000</u>
Catastrophes	\$56,302	\$122,544	\$38,048	\$27,390	\$29,284
Auto	(4,782)	30,438	778	1,734	3,158
Home	21,964	72,841	17,482	21,797	18,997
Other	12,550	3,141	7,007	547	1,697
Business Insurance	10,020	12,718	8,854	2,599	4,632
Commercial Insurance	16,550	3,406	3,927	713	800
Non-Catastrophe Weather	\$60,922	\$67,189	\$33,315	\$39,639	\$48,771
Auto	5,894	6,527	1,361	1,045	5,974
Home	36,500	41,281	18,932	23,199	28,552
Other	621	3,427	1,262	2,347	2,055
Business Insurance	9,882	12,813	9,496	8,648	8,369
Commercial Insurance	8,025	3,142	2,264	4,400	3,821

Catastrophes are events greater than \$500,000 with multiple claims and multiple policyholders. This definition has been in use since 1976. Non-Cat Weather is shown separately to help investors understand the seasonality of results from quarter-to-quarter.

Property and Casualty Investment Portfolio:	<u>9/30/2001</u>	<u>6/30/2001</u>	<u>3/31/2001</u>	<u>12/31/2000</u>	<u>9/30/2000</u>
Cost	\$7,375,667	\$6,901,918	\$6,955,568	\$7,025,448	\$7,195,505
Market	\$8,430,177	\$7,966,198	\$8,119,134	\$8,290,505	\$8,158,874
% in Equities (at market)	16.53%	18.82%	18.29%	20.44%	20.98%
% in Taxable Bonds (at market)	42.62%	42.33%	41.86%	40.74%	39.19%
% in Tax Exempt Bonds (at market)	33.61%	34.70%	34.29%	35.83%	34.42%
% in Short Term and Other	7.24%	4.15%	5.56%	2.99%	5.41%
Market YTM on Bond Portfolio	5.26%	5.24%	5.48%	6.08%	6.43%
Book YTM on Bond Portfolio	6.75%	6.75%	6.81%	6.78%	6.78%
Duration on Bond Portfolio	7.07	7.11	7.13	7.36	7.60

SAFECO Corporation
SAFECO Life Operations
Supplemental Statistics

	<u>3RD</u> <u>QTR</u> <u>2001</u>	<u>2ND</u> <u>QTR</u> <u>2001</u>	<u>1ST</u> <u>QTR</u> <u>2001</u>	<u>4TH</u> <u>QTR</u> <u>2000</u>	<u>3RD</u> <u>QTR</u> <u>2000</u>
INDIVIDUAL					
Policies Issued:					
Term, Universal Life, Traditional, Disability	4,712	5,414	5,179	5,339	5,043
Business-Owned Life (BOLI)	0	0	413	698	1,246
RETIREMENT SERVICES					
Assets Under Management (in \$ billions)	6.0	5.8	5.8	6.2	6.4
Deposits (in \$1,000s)	504,317	138,707	94,414	134,295	101,796
INCOME ANNUITIES					
Assets Under Management (in \$ billions)	6.2	6.2	6.2	6.2	6.2
Deposits (in \$1,000s)	18,869	23,876	40,590	54,895	166,528
GROUP					
Premiums (in \$1,000s)	84,545	80,410	83,739	77,292	77,332
Loss Ratio	68%	55%	66%	67%	69%

SAFECO CORPORATION
SAFECO PROPERTY AND CASUALTY OPERATIONS
Prepared on the Basis of Generally Accepted Accounting Principles
(Thousands of Dollars except Ratios)
SUMMARY OF NET UNDERWRITING PROFIT (LOSS) AND COMBINED RATIOS

	3RD QTR 2001	2ND QTR 2001	1ST QTR 2001	4TH QTR 2000	3RD QTR 2000	NINE MONTHS ENDED SEPTEMBER 30		CHANGE
						2001	2000	
PERSONAL AUTO	\$2,923	(\$37,728)	(\$27,622)	(\$42,737)	(\$16,483)	(\$62,427)	(\$80,231)	\$17,804
Core Combined Ratio	99.1	100.2	106.0	109.2	101.7	101.7	103.8	2.1
Catastrophes	(1.1)	7.0	0.2	0.4	0.7	2.0	1.2	(0.8)
Non-Cat Weather	1.3	1.5	0.3	0.2	1.4	1.1	1.2	0.1
Total Combined Ratio	99.3	108.7	106.5	109.8	103.8	104.8	106.2	1.4

Actions taken this past year to re-underwrite all personal lines business and rate increases in place for over a year are contributing to the improvement in personal auto results. The number of automobile and homeowner policies in-force ended the third quarter 4.0% and 7.3% lower than a year ago. Net auto premiums written for the third quarter increased 4.8%, while homeowner premiums declined 0.3%. For the first nine months, auto premiums increased 2.8% to \$1,338 million, while homeowner premiums declined 0.4% to \$565 million.

HOMEOWNERS	(43,704)	(95,562)	(33,104)	(33,327)	(31,220)	(172,370)	(83,383)	(88,987)
Core Combined Ratio	92.2	89.9	98.2	93.7	91.2	93.4	89.2	(4.2)
Catastrophes	11.8	39.5	9.6	11.8	10.3	20.3	11.7	(8.6)
Non-Cat Weather	19.4	22.3	10.4	12.5	15.4	17.4	14.4	(3.0)
Total Combined Ratio	123.4	151.7	118.2	118.0	116.9	131.1	115.3	(15.8)

We are still early in our plan to manage homeowners back to profitability. Price increases needed to generate a fair return are being implemented on a state by state basis. We will exit markets that do not respond to pricing actions. Total homeowners weather-related losses (Catastrophe and Non-Catastrophe) were \$58 million for the third quarter, compared with \$114 million last quarter and \$47 million for the third quarter last year.

OTHER PERSONAL	3,015	(1,259)	1,041	6,239	1,747	2,797	11,939	(9,142)
Core Combined Ratio	87.9	89.4	81.0	80.8	88.5	86.2	83.5	(2.7)
Catastrophes	5.0	6.2	14.3	1.2	3.5	8.4	2.9	(5.5)
Non-Cat Weather	1.2	6.8	2.6	5.0	4.3	3.5	5.0	1.5
Total Combined Ratio	94.1	102.4	97.9	87.0	96.3	98.1	91.4	(6.7)

Other personal lines provide coverage for earthquake, dwelling fire, inland marine and boats. Net premiums written increased 6.3% to \$158 million.

Catastrophes are events resulting in losses greater than \$500,000, involving multiple claims and policyholders. SAFECO has used this definition since 1991. Non-Cat Weather is shown separately to help investors understand the seasonality of results from quarter-to-quarter.

SAFECO CORPORATION
SAFECO PROPERTY AND CASUALTY OPERATIONS (CONTINUED)
Prepared on the Basis of Generally Accepted Accounting Principles
(Thousands of Dollars except Ratios)
SUMMARY OF NET UNDERWRITING PROFIT (LOSS) AND COMBINED RATIOS

	3RD	2ND	1ST	4TH	3RD	NINE MONTHS ENDED		CHANGE
	QTR	QTR	QTR	QTR	QTR	SEPTEMBER 30		
	2001	2001	2001	2000	2000	2001	2000	
BUSINESS INSURANCE (Small Commercial)	(87,887)	(34,637)	(27,448)	(26,111)	(43,747)	(149,972)	(129,193)	(20,779)
Core Combined Ratio	101.2	103.5	103.4	105.1	110.4	102.7	108.6	5.9
Reserve Charge	25.6					8.3		(8.3)
Catastrophes	3.9	4.8	3.3	0.9	1.6	3.9	2.2	(1.7)
Non-Cat Weather	3.9	4.9	3.4	3.0	2.8	4.1	3.8	(0.3)
Total Combined Ratio	134.6	113.2	110.1	109.0	114.8	119.0	114.6	(4.4)

Actions taken this past year to increase prices and eliminate unprofitable business are contributing to improvement in the core combined ratio for the current year. Net premiums written were down 15% to \$763 million.

COMMERCIAL INSURANCE (Large Commercial)	(154,640)	(46,073)	(43,790)	(51,869)	(33,818)	(244,503)	(103,842)	(140,661)
Core Combined Ratio	126.5	124.6	122.5	126.4	117.8	124.5	117.2	(7.3)
Reserve Charge	59.5					18.8		(18.8)
Catastrophes	10.9	2.1	2.4	0.4	0.5	4.9	1.3	(3.6)
Non-Cat Weather	5.3	1.9	1.4	2.5	2.2	2.8	2.0	(0.8)
Total Combined Ratio	202.2	128.6	126.3	129.3	120.5	151.0	120.5	(30.5)

Adverse workers' compensation loss experience, particularly in California, and Florida is mitigating actions taken to improve results. We are continuing to increase prices and non-renew policies in California, Florida, and other markets that have been consistently unprofitable. Net premiums written by SCI for the third quarter declined 21% compared with the same quarter last year. For the first nine months, net premiums written decreased 11% to \$456 million.

TOTAL COMMERCIAL	(242,527)	(80,710)	(71,238)	(77,980)	(77,565)	(394,475)	(233,035)	(161,440)
Core Combined Ratio	110.6	111.5	110.7	113.2	113.0	110.9	111.8	0.9
Reserve Charge	38.2					12.2		(12.2)
Catastrophes	6.6	3.8	2.9	0.7	1.2	4.4	1.8	(2.6)
Non-Cat Weather	4.4	3.8	2.7	2.8	2.6	3.6	3.2	(0.4)
Total Combined Ratio	159.8	119.1	116.3	116.7	116.8	131.1	116.8	(14.3)

During the third quarter, SAFECO completed a review of reserve adequacy and as a result increased reserves by \$240 million. Most of the additional reserves address recent developments that affect prior year workers compensation, asbestos, and construction defects claims. The reserve increase is included in third quarter underwriting results with \$65 million applicable to SAFECO Business Insurance, \$90 million for SAFECO Commercial Insurance, and \$85 million for discontinued reinsurance that was acquired with the purchase of American States and is reported with the "Other" lines. Third quarter results include \$56 million of catastrophe losses for all lines of business of which \$34 million was from the September 11 attacks on the United States. SAFECO's gross exposure from this event is estimated at \$70 million. The company's reinsurance coverage is spread among 17 different reinsurers with high credit quality. Net losses from the attacks include \$8 million for SBI, \$16 million for SCI, and \$10 million from the Lloyds of London operation which is reported in the "Other" lines.

SURETY	6,344	4,613	2,197	(1,778)	6,399	13,154	13,490	(336)
	76.5	79.7	87.7	111.3	59.0	80.5	70.6	9.9

OTHER	(96,823)	(1,990)	981	448	1,356	(97,831)	(1,592)	(96,239)
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Other includes non-voluntary personal lines business, results from our Lloyds of London operation, and discontinued coverages that are in run-off. Third quarter results include a reserve charge of \$85 million relating primarily to asbestos and construction defect exposures. In addition, a net loss of \$10 million for the September 11 attacks was recorded from the Lloyds of London operation.

SAFECO CORPORATION
SAFECO PROPERTY AND CASUALTY OPERATIONS (CONTINUED)
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SUMMARY OF NET UNDERWRITING PROFIT (LOSS) AND COMBINED RATIOS

	3RD	2ND	1ST	4TH	3RD	NINE MONTHS ENDED		CHANGE
	QTR	QTR	QTR	QTR	QTR	SEPTEMBER 30		
	2001	2001	2001	2000	2000	2001	2000	
TOTAL P&C	(\$370,772)	(\$212,636)	(\$127,745)	(\$149,135)	(\$115,766)	(\$711,152)	\$(372,812)	(\$338,340)
Core Combined Ratio	101.2	102.0	105.0	107.1	103.1	102.8	103.5	0.7
Reserve Charge	21.5					7.2		(7.2)
Catastrophes	4.9	11.0	3.4	2.4	2.6	6.4	3.2	(3.2)
Non-Cat Weather	5.5	6.0	3.0	3.4	4.4	4.8	4.2	(0.6)
Total Combined Ratio	<u>133.1</u>	<u>119.0</u>	<u>111.4</u>	<u>112.9</u>	<u>110.1</u>	<u>121.2</u>	<u>110.9</u>	<u>(10.3)</u>

TOTAL NET UNDERWRITING RESULTS BY QUARTER

	<u>1ST</u>	<u>2ND</u>	<u>3RD</u>	<u>4TH</u>	<u>Year</u>
1996	\$2,095	\$4,387	\$25,395	\$6,579	\$38,456
1997	7,290	23,582	(11,716)	17,051	36,207
1998	(10,932)	(64,357)	(20,454)	(13,623)	(109,366)
1999	(36,317)	(76,999)	(139,105)	(114,251)	(366,672)
2000	(132,671)	(124,376)	(115,766)	(149,135)	(521,948)
2001	(127,745)	(212,636)	(370,772)		

Catastrophes are events resulting in losses greater than \$500,000, involving multiple claims and policyholders. SAFECO has used this definition since Non-Cat Weather is shown separately to help investors understand the seasonality of results from quarter-to-quarter.

SAFECO CORPORATION
SAFECO LIFE OPERATIONS
Prepared on the Basis of Generally Accepted Accounting Principles
(Thousands of Dollars)

PRETAX INCOME BY LINE EXCLUDING GAINS AND LOSSES FROM SECURITY TRANSACTIONS

	3RD	2ND	1ST	4TH	3RD	NINE MONTHS ENDED		
	QTR	QTR	QTR	QTR	QTR	SEPTEMBER 30		
	2001	2001	2001	2000	2000	2001	2000	CHANGE
INDIVIDUAL	\$4,745	\$9,571	\$6,743	\$4,475	\$6,443	\$21,059	\$20,155	\$904
Individual pretax income increased for the nine months ended September 30, 2001 compared to the same period last year due mainly to increased earnings in the BOLI line (Business-Owned Life Insurance) and more favorable claims experience in 2001. Third quarter results are down compared to third quarter 2000 and second quarter 2001 due mainly to deferred acquisition cost charges of \$1.3 million and a return to normal claims experience in the third quarter 2001. BOLI deposits inception-to-date total \$2 billion at September 30, 2001. There have been no new BOLI deposits in 2001 due to the rating downgrade in the first quarter 2001.								
RETIREMENT SERVICES	4,276	1,896	3,412	3,011	6,883	9,584	27,035	(17,451)
The decrease in pretax income for the nine months ended September 30, 2001 compared to the same period prior year is due to a decline in assets under management. Assets under management at September 30, 2001 are \$6.0 billion compared to \$6.4 billion at September 30, 2000. The decline in fixed account value due to surrenders results in lower interest margins and the decline in variable account value due to unfavorable market conditions results in lower variable product fee revenue.								
Third quarter 2001 results improved from second quarter 2001 due mainly to index annuity results. The offer to policyholders to surrender policies with no surrender charges ended in the second quarter 2001. Therefore, no interest-related charges were incurred in the third quarter of 2001. Retirement Services deposits of \$737 million for the first nine months of 2001 increased from \$319 million for the same period last year due to \$481 million in deposits of SAFECO Select, a new deferred annuity product first sold in June 2001.								
INCOME ANNUITIES	10,303	12,242	10,424	7,438	4,985	32,969	18,976	13,993
Income annuity deposits of \$83 million for the nine months ended September 30, 2001 are down from \$337 million for the same period last year as a result of the rating downgrade for SAFECO Life in the first quarter of 2001. Assets under management of \$6.2 billion are unchanged from the prior year.								
Income annuity income improved for the nine months ended September 30, 2001 compared to the prior year due mainly to increased investment income from changes in pay downs of collateralized mortgage obligations. For the first nine months of 2001, the effect was an increase to income of \$4.2 million compared to the same period last year, when income decreased by \$4.4 million.								
GROUP	3,354	12,077	6,696	3,126	430	22,127	1,129	20,998
Group's pretax income for the nine months ended September 30, 2001 continues to reflect underwriting and rating actions taken to correct the adverse experience in medical stop loss coverages. Premiums continue to be strong at \$249 million for the first nine months of 2001 compared to \$234 million for the same period last year. Group's overall loss ratio of 68% for the quarter increased from 55% in second quarter 2001 and is unchanged from 68% in the third quarter 2000. Third quarter 2001 results reflect an increase in the frequency of large claims over \$200 thousand in the excess loss specific coverage line.								
CORPORATE & OTHER	17,975	18,588	18,924	18,094	18,300	55,487	54,186	1,301
The income results primarily from investment of capital and prior period earnings of the above lines.								
TOTAL	<u>\$40,653</u>	<u>\$54,374</u>	<u>\$46,199</u>	<u>\$36,144</u>	<u>\$37,041</u>	<u>\$141,226</u>	<u>\$121,481</u>	<u>\$19,745</u>

TOTAL PRETAX OPERATING INCOME BY QUARTER

	1ST	2ND	3RD	4TH	Year
1998 *	36,392	29,046	41,032	12,654	\$119,124
1999	44,710	38,586	45,550	49,777	178,623
2000	39,008	45,432	37,041	36,144	157,625
2001 **	46,199	54,374	40,653		

* 1998 Results exclude third quarter deferred acquisition cost write-off of \$46.8 million.

** 2001 Results exclude first quarter goodwill write-off of \$32.3 million.

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